

# EVALUATION OF UNDP'S ROLE IN THE PRSP PROCESS

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# Acronyms

BDP	Bureau for Development Policy
BWI	Bretton Woods Institutions
CCA	Common Country Assessment
CCF	Country Cooperation Framework
CDPR	Centre for Development Policy & Research, SOAS
CO	Country Office of the UNDP
CPGS	Comprehensive Poverty and Growth Strategy (Vietnam PRSP)
CSLP	Cadre Strategique de Lutte contre la Pauvrete (PRSP in French)
HD	Human Development
HDR	Human Development Report
HDR0	Human Development Report Office
HIPC	Highly Indebted Poor Countries
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFI	International Financial Institution
IMF	International Monetary Fund
I-PRSP	Interim Poverty Reduction Strategy Paper
JSA	Joint Staff Assessment of the IMF and World Bank
MD	Millennium Declaration
MDG	Millennium Development Goal
MDGR	Millennium Development Goal Report
NGO	Non-governmental Organisation
NHDR	National Human Development Report
ODA	Official Development Assistance
PPA	Participatory Poverty Assessments
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
RC	Resident Coordinator
ROAR	Results-Oriented Annual Report (UNDP)
RR	Resident Representative
SNLP	Strategie Nationale de Lutte contre la Pauvrete (National Strategy for the Fight Against Poverty)
SOAS	School of Oriental & African Studies, University of London
SPPRED	State Programme on Poverty Reduction and Economic Development (Azerbaijan PRSP)
SURF	Sub-Regional Facility
UNCT	United Nations Country Team
UNDAF	United Nations Development Assistance Framework
UNDG	United Nations Development Group
UNDP	United Nations Development Programme
UNDP EO	UNDP Evaluation Office
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
WB	World Bank
WSSD	World Summit for Social Development

# Foreword

The *Poverty Reduction Strategy Paper* (PRSP) represents an area of strategic importance to programme countries and one of the core priorities for UNDP's global practices—poverty reduction for human development. The declared objective of the PRSP is to promote poverty reduction strategies that are country-driven, result oriented, comprehensive, prioritized, partnership based, and framed within a long-term perspective. To this end UNDP has become increasingly engaged in supporting the PRSP process in response to requests from programme countries. A Poverty Reduction Strategy is being planned, prepared or reviewed in more than 70 of the world's poorest countries. Indeed, 43 UNDP country offices reported that they were engaged in this process in 2002, up from 11 in 1999 when the PRSP approach was first introduced.

The purpose of this evaluation is to assist UNDP in positioning itself for a more effective role in the PRSP process, with a view to learning lessons for its future engagement, thereby contributing to the improvement of the process. Taking note of the wider context of the PRSP process, the evaluation identifies some strategic issues that impinge on UNDP's role both at the corporate as well as at country offices level. The findings provide evaluative evidence on UNDP's role in the achievement of key PRSP outcomes such as national ownership; broad-based participation; multi-dimensional nature of poverty and pro-poor growth; coherence with long term strategy; development partnerships; and poverty monitoring capacity. The evaluation emphasized the need for strengthened country office support to national partners—government institutions, civil society, and the private sector—in formulating and implementing the PRSP process. This evaluation is the result of a collective effort of a number of people, beginning with the evaluation team led by Professor John Weeks: Michael Reynolds, Alemayehu Geda, Zeneberworke Tadesse, and

Carlos Oya; the National Consultants who contributed their time and expertise to the country studies; and from the Evaluation Office, Nurul Alam, Deputy Director and Ruth Abraham, Task Manager for the evaluation. Invaluable advice was provided at different stages of the evaluation by members of the External Advisory Panel.

I would also like to acknowledge the expert advice and valuable contribution provided by Sartaj Aziz, former Minister of Finance and Foreign Affairs of the Government of Pakistan, who served as Senior Advisor for the evaluation. We owe a great debt of gratitude to the seven UN Resident Coordinators/UNDP Resident Representatives and their staff for their support and collaboration during the country studies and preparation of the country reports. Close consultations were maintained with evaluation and operations colleagues at the World Bank and the International Monetary Fund in Washington throughout the process, to whom I extend my grateful thanks.

I also extend my appreciation to the crew who provide technical, editorial, administrative and logistic assistance. In particular I would like to mention EO colleagues Hajera Abdullahi, Flora Jimenez, Elvira Larrain and Anish Pradhan, for their untiring support.



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# Executive Summary

## CONTEXT \_\_\_\_\_

Between August 2002 and March 2003, the Evaluation Office of UNDP assessed the role of UNDP in the *Poverty Reduction Strategy Paper* (PRSP) process, taking into account in particular the diversity of the organization's poverty reduction activities. The PRSP represents an area of strategic importance to UNDP and a core priority for one of its key global practices—poverty reduction. The objective of the evaluation was to assess how UNDP has positioned itself to support the PRSP process in various programme countries including its role in partnering with the United Nations system, the World Bank and the International Monetary Fund (IMF) in the PRSP process.

In December 1999, the Executive Boards of the World Bank and the IMF approved a new policy instrument, the PRSP, designed to serve as a framework document for concessional lending. (Specifically, PRSPs were intended as a basis for external debt relief under the Debt Initiative for Heavily Indebted Poor Country, begun in 1996 and enhanced through more generous terms in 1999.) The declared objective of the PRSP is to promote poverty reduction strategies that are country driven, results oriented, comprehensive, prioritised, partnership based, and framed within a long-term perspective.

The focus of the evaluation is on UNDP's role in the PRSP process, but this task could not have been achieved without placing it in the overall context of the PRSP itself and its objectives. The interventions by UNDP can only be considered to be a part of the evolving dynamics of the PRSP process. Though it was a difficult balancing job, the evaluation looked at both process and content issues. It combined desk review and field based work, and included an analysis of UNDP's contributions to key PRSP outcomes in 26 PRSP countries, extensive literature reviews and wide stakeholder consultations. In-depth studies were conducted in a selected number of countries, which provided a good mix of typology of countries and regions, namely Azerbaijan,

Bolivia, Ethiopia, Mali, Pakistan, the United Republic of Tanzania and Vietnam.

The evaluation undertaken by UNDP examined the organization's role in the achievement of six key PRSP outcomes: (a) increased country ownership in the PRSP preparation process; (b) broad-based participation of civil society and the private sector; (c) multi-dimensional nature of poverty and pro-poor growth; (d) coherence between PRSPs and other longer-term national planning instruments; (e) development partnerships; and (f) poverty monitoring capacity at national and local levels. The evaluation also reviewed the role of UNDP as custodian of the resident coordinator system in the PRSP process, emphasizing the links between the PRSPs, the United Nations Development Assistance Framework (UNDAF), and the Millennium Development Goals (MDGs).

The engagement of UNDP in the PRSP process has not taken place in a vacuum. Its focus on poverty and the role of poverty reduction strategies in addressing poverty issues has been long standing. The publication of the first *Human Development Report* in 1990 played an important role in bringing poverty and distributional equity back into the development agenda. The organization's mandate in poverty reduction is mirrored in the high demand by programme countries for UNDP support in this area. Programme countries have received the organization's support in the PRSP process since the launch of this initiative, and continue to seek its active engagement in the preparation and implementation of the PRSPs. In 2002, 43 country offices provided support to and were involved in the preparation and implementation of the PRSPs and Interim-PRSPs, up from 36 in 2001, 24 in 2000, and 11 in 1999.

## STRATEGIC FINDINGS \_\_\_\_\_

The evaluation concludes that the PRSP process is a dynamic, developing phenomenon

in which UNDP should engage more fully as a partner. The findings from the evaluation raise some issues which are strategic to UNDP engagement—and they also empirically ground many of the outcomes expected from the PRSP process. These include the link between MDGs and the PRSP; poverty analysis and PRSP policy links; the relationship between UNDP/UN and the Bretton Woods Institutions (BWI), and the relationship between UNDP and the UN country team (UNCT).

**Millennium Development Goals (MDGs) and the PRSP:** It is observed that only a few PRSPs have benefited from an analysis of the MDGs, which seems to indicate that little relationship exists between the two. Country offices are not always consistent in emphasizing that the MDGs constitute the overarching framework for the formulation and implementation of the PRSPs. Only recently have national MDG reports begun to appear. While some MDG reports are excellent, most countries have simply *adopted* the MDGs as opposed to *adapting* them through a national consultative process to make them country specific.

**Poverty analysis and PRSP policy links:** It appears from the country visits that PRSPs do not directly link poverty and growth. Most PRSPs provide a coherent growth strategy; however, this may not always be pro-poor. There is no clear link in the PRSPs between poverty diagnosis and poverty reduction policies. Rather, poverty reduction policies tend to be an 'add-on' to a general growth strategy. Nevertheless, most PRSPs focus on poverty issues, which is a step forward from previous national documents on growth strategies. Poverty and growth are treated separately and links between them are weak. This represents a key entry point for UNDP given its emphasis on the multi-dimensional nature of poverty and its focus on capacity building.

**UNDP, the UN system and the BWI:** The evaluation found that lack of clarity of the respective roles of the UN and the BWI has hampered the development of a coherent approach by the UNCT in engaging in the PRSP process at the country level. Despite this lack of partnership clarity, in several countries the resident representative/resident coordinator has seized opportunities to create conditions under which country teams

have been able to make critical contributions to PRSP formulation and implementation.

**UNDP and the UN system:** The evaluation found that the lack of coordination between UN instruments and the PRSP undermines the greatest strength that the UN system has, the complementarity among UN agencies. Partnerships were *ad hoc* with lack of a consistent approach. However some progress has been made on the UN front. The CCA/UNDAF and PRSP relationship needs to be consciously thought through and aligned.

## FINDINGS ON SELECTED PRSP OUTCOMES

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The main purpose of the evaluation was to provide evaluative evidence on the role of UNDP in the PRSP process, focusing specifically on its role in achieving the six key PRSP outcomes mentioned above.

**National ownership:** Although progress has been made in fostering government ownership of the PRSP process, broad-based ownership of PRSPs is generally lacking. The evaluation found that typically, one part of the government (e.g. Ministry of Finance) has strong ownership of the PRSP at the expense of others. Progress on involving civil society to broaden national ownership has been limited. Fostering national ownership requires the full participation of different parts of government and civil society organizations, which means overcoming capacity constraints faced by public and private stakeholders. In most cases, however, efforts to ensure a country-driven process have made less progress.

UNDP has fostered national ownership of the PRSP process by both governments and non-government stakeholders. It has contributed to broadening ownership or advocating it among donor and programme countries. But the organization could do more to promote national debate on development strategies and causes of poverty. Among the organization's strengths are its perceived impartiality and ability to serve as intermediary between governments and communities of donors and lenders. The success stories of the country offices in Ethiopia, the United Republic of Tanzania and Vietnam in facilitating donor coordination are models of good practice.

**Broad-based participation:** Fostering broad-based participation is the weakest of the six outcomes for UNDP, although it is one of the organization's natural strengths. Broad-based participation facilitates efforts to transform government ownership of the PRSP process into national ownership. UNDP has considerable outreach that could be more effectively leveraged in all of the above elements of the participation process. It could foster ongoing dialogue between government and civil society, support mechanisms to institutionalize dialogue, and build capacity to support ownership, including the development of home-grown pro-poor policies.

In Azerbaijan, Bolivia, Ethiopia and Mali, UNDP has made major contributions to the participation and consultation process. The substantial contribution made by UNDP in Bolivia can largely be attributed to two factors: (a) that UNDP treated the process as an end in itself, not as a derivative of the PRSP process; and (b) that Bolivia has a long history of popular mobilization.

**Multidimensional nature of poverty and pro-poor growth:** Treatment of poverty in PRSPs in some countries is too narrow, over-emphasizing the income dimension, rather than encompassing a variety of other aspects, which are country and community specific. It was observed in countries visited, that the pro-poor content of PRSPs increased when UNDP focused on fostering national discussions on the nature of poverty, via its work on monitoring MDGs and the social costs of poverty; e.g. in Bolivia as a result of the influential impact of the last two NHDRs; and in Vietnam, where monitoring MDGs played an important part in raising awareness of the complexity of poverty.

**Coherence with long-term strategy:** That the PRSPs and other policy documents concur in emphasizing poverty is not necessarily a positive outcome when the latter have little pro-poor content. This again presents a potentially useful role for UNDP. Furthermore, links between the PRSP process and short and medium-term fiscal instruments are weak. For long-term planning, PRSPs need to be integrated into sectoral and thematic programmes. UNDP can assist in assuring these links, particularly through its role as custodian of the resident coordinator system, since most United Nations organizations

have close ties with relevant sectoral ministries and other sectoral partners. A major flaw in many PRSPs is the absence of an explicit explanation of how the PRSP fits into the planning framework.

**Poverty monitoring capacity:** The evaluation found that institutional arrangements and capacities for poverty monitoring required for PRSPs are inadequate. Although UNDP's support for poverty monitoring covers a range of actions linked to poverty reduction strategies and PRSPs, (e.g. capacity development, poverty assessments, participatory monitoring and evaluation, and work on NHDRs), as illustrated in the case studies undertaken by the mission, monitoring progress towards poverty reduction represents the greatest unrealized opportunity within the PRSP process for UNDP. As countries are in the initial stages of monitoring, the scope and nature of the process has yet to be clarified since monitoring is principally for the purpose of reporting to external agencies. By fostering national ownership of the MDGs, UNDP would be the logical UN organization to underline this anomaly and press for PRSP reports aimed at national audiences, which in turn would be used as progress reports for donors and lenders.

## KEY CONCLUSIONS \_\_\_\_\_

First, the evaluation is of the firm view that the PRSP has the potential to transform the policy making and the partner dialogue process in positive and unprecedented ways. This of course applies to countries, which have chosen to conduct PRSPs. The evaluation advances the view that UNDP needs to play a more substantial and substantive role in the PRSP process. Indeed in PRSP countries, the PRSP process should play a central role in UNDP's policy development and support activities as well as in its country level operations. Second, in most of the countries reviewed, the PRSP process has generated positive changes in the relationship between the government and the governed, the development community, and partner governments. Yet there is a large gap between its potential and current reality. The evaluation concludes that UNDP should engage more fully as a partner in the PRSP approach which is a dynamic, developing phenomenon. Third, UNDP engagement



needs to be guided by the following:

- The PRSP is placed within the Millennium Declaration.
- PRSPs become national documents, not borrowing instruments and change from macroeconomic frameworks to macro-development strategies, and that macro-economic policy becomes subsumed within a pro-poor framework.

## MAJOR IMPLICATIONS FOR UNDP

The evaluation has major implications for UNDP and the way it conducts its business, particularly at the country level. Five key areas are highlighted below:

**PRSP as the action plan for MD:** To bring added value to the PRSP process, UNDP can help deliver on the PRSP promise, by helping to transform PRSP into a medium-term planning instrument in support of the achievement of MDGs, through strategic partnerships. This of course applies to those countries that choose to undertake PRSPs. The UNDP and the UNCT can assume a major role in influencing and supporting the PRSP process, to be pro-poor, and more participatory, so that MDGs are nationally owned.

**UNDP/UN and the BWI partnership:** Delivering on the potential of the PRSP requires full and joint partner effort of the UNDP, the World Bank and IMF, in the context of a UN team effort led by the UN Resident Coordinator. Accordingly UNDP/UN can and should become a key partner in providing support for the PRSP.

**UN system coordination:** While the UNDP has institutional and local strengths to engage in the PRSP process, UNDP's core strength lies in the UN Resident Coordinator system. This needs to be exploited more fully by UNDP and as part of its partnership strategy, it can take the lead in fostering commitment by other UN agencies to the key outcomes of the PRSP process, and in promoting links between the PRSP and the CCA and UNDAF.

**Making the PRSP play a more central role in its country level operations:** UNDP has the potential to provide critical international input into the PRSP process in many countries because of its comparative analytical and policy strengths. It can provide effective support to

the PRSP process in the following key areas:

a) broadening and deepening participation; b) providing capacity building support for analytically sound macroeconomic and other policies that are pro-poor, providing analytically sound policy options, and also calling for the poor to define and seize upon benefits, rather than await their arrival; c) poverty analysis and monitoring, fostering broad-base participation in identifying poverty (its multidimensionality), finding appropriate indicators (its measurement) and monitoring policy impact; d) capacity building for government and civil society to provide the basis for home-grown, country driven policies, i.e. in policy formulation, policy analysis, and budgeting; facilitating research and capacity to formulate pro-poor growth strategies in research centers and civil society institutions; and building up independent evaluation capacities that promote transparency and accountability; e) co-ordination by the UNCT of UN partners, donors and lenders: UNDP's relatively limited financial contribution can be 'leveraged' by exploiting the full potential of the UNCT, in helping the government in co-ordinating the contributions of donors and lenders in capacity building; and f) cooperation with national and international partners, government and civil society.

**Organizational capacity building:** The transition to the new UNDP focus on proactive, 'upstream' policy engagement requires far more intensive and concerted work, especially in the COs, but also in Headquarters. Familiarising staff in COs with pro-poor policies, especially pro-poor macroeconomic policies, is a pre-condition to the UNDP's efforts in capacity building to foster home-grown, country-owned development strategies. PRSP work requires application of particular expertise that is absent or over-burdened in most countries. Proven competence in human development thinking with strong policy background is a prerequisite for UNDP staff engaged in the PRSP process, in order for staff to facilitate or contribute to the content discussion of PRSP as an equal partner. Substantive expertise in this area in the CO is critical to advocate pro-poor policies and issues of human poverty. To perform these roles, UNDP's own capacity has to be substantially upgraded at both the country level and at headquarters.

CHAPTER I  
INTRODUCTION

POVERTY MONITORING

POVERTY MONITORING

In December 1999, the Executive Boards of the International Monetary Fund (IMF) and the World Bank approved a new policy instrument, the *Poverty Reduction Strategy Paper* (PRSP), which was designed to serve as a framework document for concessional lending. Specifically, PRSPs were intended as a basis for external debt relief under the Heavily Indebted Poor Country (HIPC) initiative, begun in 1996 and 'enhanced' through more generous terms in 1999.

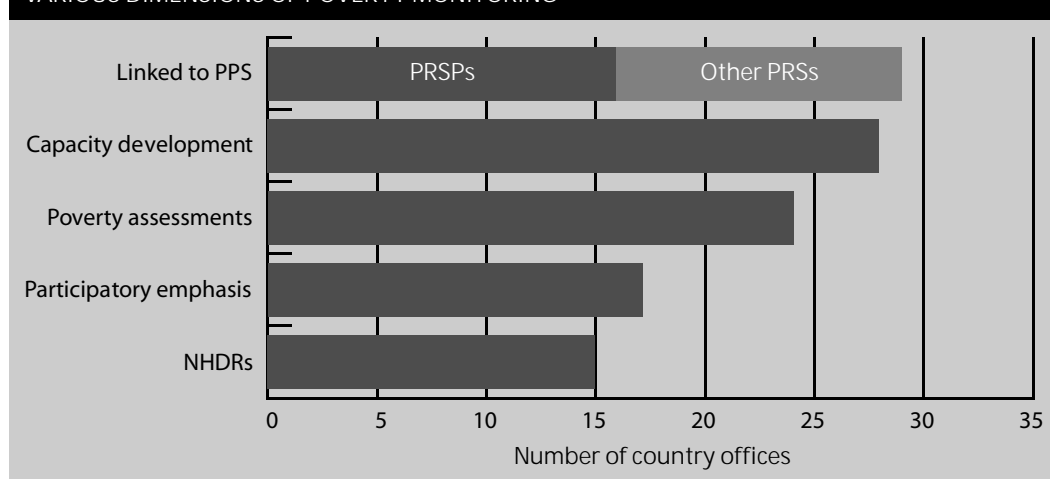
The PRSP is envisaged as a new partnership-based approach to the challenge of reducing poverty in low-income countries. Nationally owned poverty reduction strategies are to be at the heart of this new approach. Following its mandate to integrate the objectives of poverty reduction and growth more fully into its operations in its poorest member countries, the IMF established the Poverty Reduction and Growth Facility (PRGF) in 1999, replacing the Enhanced Structural Adjustment Facility. Programmes supported by the PRGF and International Development Association (IDA), the World Bank's concessional window, must be framed around a comprehensive, nationally owned PRSP prepared by the borrowing country. The PRSP is then endorsed by the Boards of the IMF and World Bank, in their respective areas of responsibility, as the basis for the institutions' concessional loans and for relief under the

enhanced HIPC Initiative. The PRSP approach also stresses the underlying principle that national poverty strategies should foster domestic and external partnerships that improve the effectiveness of development assistance. Many bilateral donors have also joined the partnership in support of the PRSP approach.

The declared objective of the PRSP is to promote poverty reduction strategies that are country driven, result oriented, comprehensive, prioritised, partnership based, and framed within a long-term perspective. Other major features of the PRSP are that it should be an analytical framework, integrating macro-economic, structural, sectoral, and social considerations; it should lay out a set of poverty reduction measures and policies; and it should span an initial three-year time frame. As of 23 April 2003, 30 countries had completed full PRSPs and 48 (see Annex 7) had completed Interim-PRSPs<sup>1</sup> (I-PRSPs).<sup>2</sup> As this evaluation points out, expectations about the nature, scope, and thrust of the PRSP have been only partially realised.

The PRSP process represents an area of strategic importance to the UNDP and is central to one of its key global practices, that of poverty reduction for human development. UNDP programme countries have received the agency's support in this process and continue to seek its active engagement in the

FIGURE 1: NUMBER OF COUNTRY OFFICES SUPPORTING VARIOUS DIMENSIONS OF POVERTY MONITORING



1. World Bank Web site, [www.worldbank.org](http://www.worldbank.org).

2. Since the preparation of full PRSPs was a complex process taking longer than a year, and since countries were in need of interim debt relief, countries were requested to prepare an I-PRSP. This is intended to be a short document that describes a country's current poverty situation and policies and presents a plan for preparation of a full PRSP. I-PRSPs would bring countries to the decision point under HIPC.

preparation and implementation of the PRSPs. In 2002, 43 UNDP Country Offices (COs) reported on their support and involvement in the preparation and implementation of PRSPs/I-PRSPs, an increase from 36 in 2001, 24 in 2000, and 11 in 1999. Not only has the UNDP become increasingly engaged in supporting the PRSP process but the nature of its engagement is also evolving. Whilst support for policy frameworks for poverty reduction remains the major focus of UNDP poverty reduction efforts, poverty monitoring is gaining increased attention by COs (see Figure 1). The UNDP has emphasised different aspects of the PRSP process, depending on the context and the situation in which it finds itself. It recognises that these are early days for PRSPs and that it needs to see what progress has been made so far, judge whether it is where it expected to be, and determine if it is proceeding in the right direction. The organisation also acknowledges the fact that it is critical to examine where each country was at the beginning of the process and judge progress in achieving PRSP outcomes accordingly.

In March 2002, the IDA and IMF, after undertaking a review of the PRSP approach, produced two reports on *Main Findings and Early Experience with I-PRSPs and Full PRSPs*. The review was preceded by a number of regional meetings on national PRSPs during 2001, in which the UNDP was a key collaborator. The review found that progress had been made in the area of strengthening country ownership; that there was a more open policy dialogue within government and across parts of civil society; that a more central role had been given to poverty reduction in policy discussions, including macroeconomic and structural policies; and that there was acceptance by major donors of the principles of the PRSP approach (UNDP is cited as an example amongst the major UN organisations), heralding the possibility of stronger partnerships with countries and improved donor coordination. The review also pointed out the need for improving the PRSP process, i.e. on PRSP participatory processes. The review notes that the “open and participatory nature of

the PRSP approach is regarded by many as its defining characteristic and its most significant achievement”. It highlights, however, the limited role so far of parliaments in the preparation, approval, and monitoring of country strategies; the lack of involvement of specific civil society groups (e.g. women’s groups, private sector, and direct representatives of the poor); and the need for stronger partnerships between donors and countries.

A third report on PRSPs produced later that year concluded the following:<sup>3</sup>

*“...although experience with PRSP implementation still remains limited ...while there has been progress, there remains substantial scope for improvement ... Development partners (including the Fund and the Bank) have a substantial role to play in providing analytical and technical support ... much remains to be done to improve our own understanding of the policies and approaches that are required for sustainable pro-poor growth and poverty reduction ... Expectations regarding the pace of progress from this point forward will therefore need to be tempered with patience...”*

## THE HUMAN DEVELOPMENT APPROACH

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The UNDP’s engagement in the PRSP process has not arisen in a vacuum. Its focus on poverty and the role of poverty reduction strategies in addressing poverty issues has a long history. The publication of the first UNDP *Human Development Report* (HDR) in 1990 played an important role in bringing poverty and distributional equity back into the development agenda. The HDR 1990 demonstrated that development involves much more than economics alone, and this broader approach was encapsulated in the term ‘human development’. The annual HDRs have helped to shift the development debate back to what matters most—the people and their choices. The human development approach of the UNDP is a framework that identifies the fulfilment of human aspirations as the objective of development. It highlights the fact that human development is about creating an environment in which people can develop to their full potential and lead

3. The Development Committee of the Bank and the Fund, *PRSPs—Progress in Implementation*, September 2002, 37–38.

productive, creative lives in accord with their needs and interests.<sup>4</sup>

'Human development' by one definition or another has been endorsed by virtually all development assistance agencies. The PRSP is but the most recent global manifestation of the view that people are the core of 'development'. Thus, in an important sense, this evaluation of the UNDP's engagement in the PRSP process is also a review of the extent to which the UNDP has stamped PRSPs with its approach to the development process. Though other agencies have adopted aspects of the human development approach, these are frequently treated as 'add-ons' to the traditional emphasis of each institution. Further, the human development approach is a dynamic concept, which has evolved considerably since its initial conceptualisation. Most of the basic elements of the PRSP can be found in previous UNDP discussions of how to foster human development: country ownership, participation, and the multi-dimensional nature of poverty, to name the most obvious. In this context, the UNDP's engagement in the PRSP process faces a challenge: to convince international development partners, partner governments, and civil society in PRSP countries that the holistic human development approach should be the agenda for poverty reduction.

Success in meeting this challenge is greatly enhanced by the Millennium Development Goals (MDGs) that embody the spirit of the human development approach. Contained in the Millennium Declaration (MD), which was adopted in September 2000 by 191 nations at the UN Millennium Summit, the MDGs focus on eight major goals, including the eradication of poverty, that are to be achieved between 1990 and 2015.

#### COMMITMENT TO POVERTY REDUCTION \_\_\_\_\_

The UNDP's mandate in poverty reduction is reflected by the fact that there is a high demand by programme countries for the UNDP's support in the area of poverty reduction. The second greatest share of estimated country level programme expenditures in 2000-2002 from combined donor and local resources were delivered in the area of poverty reduction at 26% (US\$ 1 379 million).<sup>5</sup> The area that has attracted the highest proportion of UNDP regular resources during 2000-2002 is under poverty reduction goal, sub-goal one—human and income poverty addressed in national poverty frameworks—accounting for 20% of UNDP total estimated expenditures from regular resources during 2000-2002.

**BOX 1: ESTIMATED PROGRAMME EXPENDITURE FOR  
GOAL 2 – POVERTY, 2000-2002 (PERCENTAGES)**

Sub-goal	Sub-goal Description	Regular Resources (%)	Other Resources (Cofinancing) (%)	Total Donor Resources (%)	Other Resources (Government Cost Sharing) (%)
G2-SG1	Human and income poverty addressed in national policy-frameworks	20	7	12	13
G2-SG2	The asset base of the poor expanded and protected (human, physical and financial)	18	5	10	17
	G2 sub-totals	38	13	22	30

Source: UNDP Report on the Multi-year Funding Framework, 2000-2003, 21 May 2003.

4. UNDP Human Development Report 2001.

5. UNDP Report on the Multi-year Funding Framework, 2000-2003, 21 May 2003.

(see Box 1). In addition to this figure, however, though difficult to estimate, there are also elements of other UNDP goals, including governance, environment and gender, which have targeted links to poverty reduction.

At the World Summit for Social Development (WSSD) held in Copenhagen in 1995, heads of state and representatives from 180 countries committed themselves to “formulating or strengthening national poverty eradication plans to address the structural causes of poverty”. In its response to the commitments taken at WSSD, the UNDP launched the Poverty Strategies Initiatives Programme in 1996. This multi-donor initiative supported country efforts to develop national and local anti-poverty strategies and to identify and monitor the causes and nature of absolute poverty. The programme, offered in more than 100 countries, had two main goals:

1. the establishment of the technical, institutional, and political basis for policy action,
2. civil society mobilisation to broaden public discussion of poverty.

To enhance the effectiveness of poverty reduction strategies, the UNDP provided support and services to programme countries in a number of areas, including the following:

- macroeconomic policy reform
- participatory approaches to national and sub-national budgeting linked to strategies and targets for reducing poverty and gender inequality
- poverty reduction strategies linked to decentralisation and community empowerment programmes
- national capacity to monitor poverty and inequality
- national capacity to measure human poverty and undertake participatory poverty assessments and gender analysis
- poverty hearings to enhance civil society and private sector input to national strategies (see Annex 8 for areas of UNDP focus in support of poverty reduction strategies)

The Thematic Trust Fund for Poverty Reduction was established to support the UNDP in diagnosing and monitoring poverty,

strengthening its national poverty reduction strategies, enhancing their participatory nature, and spurring greater progress toward the 2015 MDGs.<sup>6</sup> A number of studies and reports have been produced by the UNDP to illustrate its focus on global poverty reduction work.<sup>7</sup>

#### SUPPORT TO THE PRSP PROCESS \_\_\_\_\_

Though engagement in the PRSP process follows logically from the UNDP’s previous work, the extent of this engagement varies from country to country. This is because despite the strong and unambiguous commitment of UNDP leadership to the PRSP process, there has been insufficient appreciation of its importance in some COs. Throughout this report, it is argued that engagement in the PRSP process can facilitate a qualitative expansion of the UNDP’s influence on development strategy, both globally and nationally, and can enable it to pursue the organisational goal of moving upstream in the policy process.

In recognition of the growing number of COs that were becoming engaged in the preparation, implementation, and monitoring of PRSPs, a Policy Note was produced by the UNDP in August 2002. The stated intent of the Policy Note was to strengthen the UNDP’s upstream policy advice in its engagement in the PRSP process, since PRSPs “offer improved prospects for real progress on poverty reduction provided that the appropriate conditions are in place”. The note highlights “how UNDP support can contribute to the creation of those conditions...”<sup>8</sup>

Since the PRSP principles have guided UNDP policy for some time, it is not surprising that the leadership of the organisation has committed itself unambiguously to engagement in the PRSP process.

*“...I have drawn the UN system, with the full support of the Secretary-General, into fully accepting the PRSP as the dominant macro-economic instrument for developing countries to organise their priorities internally and*

6. UNDP Thematic Trust Fund: Poverty Reduction, August 2001.

7. UNDP Support for Poverty Reduction Strategies—the PRSP Countries: Interim Report, September 2001; UNDP Support for Poverty Reduction Strategies—What Have We Learned? Bergen, Norway, March 15-17, 2001; Choices for the Poor: Lessons from National Poverty Strategies, 2001; UNDP Poverty Report 2000; UNDP Support for Poverty Reduction Strategies, June 2000; Overcoming Human Poverty, 2000.

8. UNDP, Policy Note on UNDP’s Engagement in Poverty Reduction Strategy Papers, August 2002.

*their relationships with donors externally. And this despite continued uneasiness about the extent to which these PRSPs are being internalised and owned and about the extent to which the macroeconomic tail may still be wagging the poverty dog. My own view is if those are problems, we need to work them out in the framework of the PRSP...[W]e now see the UN's own instruments for activity in [each] country as... provid[ing] a more coordinated and coherent development approach within the PRSP framework. And we are not just working in that way, but we are fully supporting both governments and the Bank and Fund in PRSP design.”<sup>9</sup>*

The concept of the PRSP is constantly evolving, with a growing realisation that it should not be viewed as ‘the dominant macroeconomic instrument’, but rather as the dominant poverty strategy instrument. This interpretation of the PRSP would broaden the UNDP’s engagement, since not only would it treat the macro policy framework as only one component of the process, but also it would utilise macro-economic policies for facilitating pro-poor growth and enabling poverty reduction policies.

Certain trends in the UNDP’s support to the I-PRSP/PRSP process could be identified based on an analysis of results reported in the ROAR 2000 and 2001 by selected UNDP COs.<sup>10</sup> In terms of promoting broad-based participation, the UNDP encouraged and supported active participation of civil society organisations and community-based groups as well as governments and the private sector. In Uganda, the UNDP contributed to the PRSP process with support to the Uganda Vision 2025 and preparation and dissemination of the Uganda Participatory Poverty Assessment Project. In Honduras, UNDP support translated into the incorporation of civil society in the PRSP process, and in Moldova and Benin, the UNDP either provided fora for dialogue among civil society and other development partners or actively and closely worked with non-governmental organizations (NGOs) and the private sector to support their inputs to PRSP consultations.

With regard to building partnerships among development actors, the UNDP played a leading role in donor coordination

due to the strong credibility it had achieved with donors as well as with governments. As an example, in Armenia’s I-PRSP process, monthly donor coordination meetings were chaired by the UNDP along with the World Bank and USAID on a rotational basis. The UNDP contributed significantly to mobilising donors and to focusing the international community’s attention and assistance toward the PRSP process in various countries. In Benin, the UNDP provided technical and financial support to poverty monitoring methodologies.

From the start of the PRSP process, the UNDP encouraged countries to harmonise the formulation of their PRSP with already existing national poverty reduction strategies. For example, the UNDP supported government efforts in Cape Verde to draw on contributions to its National Long-Term Perspective Study while formulating its PRSP. In Nicaragua, it assisted the government in prioritising programmes and policies for poverty reduction and employment generation in its National Plan. In Cambodia’s PRSP preparation process, the UNDP emphasised linkages between macroeconomic policies and poverty.

Efforts were made by several UNDP COs in support of mainstreaming gender and human rights issues in the PRSP formulation process, as well as governance and HIV/AIDS issues. In Uganda and Zambia, ongoing governance programmes supported by the UNDP were linked to the PRSP process, whilst in Burkina Faso and Honduras, COs developed initiatives that integrated the promotion of governance, creation, and operationalisation of national gender policies and support of HIV/AIDS programmes in their PRSP formulation. The UNDP’s support for mainstreaming gender in national poverty reduction strategies was evident in several countries, including Albania, Mozambique, and Niger, and its support of the inclusion of MDGs in governments’ policy planning was also evident in some countries.

One of the UNDP’s key areas of support to the PRSP process was through the establishment of poverty monitoring and analysis systems. In Benin and Burkina Faso, COs assisted in the establishment of Poverty or Social Observatories, which constituted decentralised monitoring systems. In Guyana,

9. Mark Malloch Brown, UNDP Administrator, speaking at the Development Cooperation Forum at Atlanta, Georgia, in USA, February 2002.

10. Albania, Armenia, Benin, Burkina Faso, Cambodia, Cameroon, Cape Verde, C.A.R., Chad, Georgia, Guyana, Honduras, Moldova, Mozambique, Nicaragua, Niger, Uganda, Zambia

**BOX 2: PRO-POOR POLICIES**

Explicit in the UNDP Human Development approach are pro-poor economic and social policies. These include a pro-poor formulation of the macroeconomic framework, which is characterised by an explicit emphasis on distribution, in order that the increment in economic growth benefit the poor disproportionately; that is, so the income share of the poor rises relative to that of the non-poor. This is achieved through:

1. placing emphasis on medium and long-term growth along with short-term stability, for example, by taking a pragmatic approach to inflation targets in monetary policy;
2. creating fiscal space for redistributive social expenditures, appropriate to the administrative capacity of governments;
3. emphasising the role of public investment in the growth process;
4. making adoption of all major policies (e.g., liberalisation and privatisation) conditional upon a positive impact on the poor.

**BOX 3: UNDP COMMITMENT TO PRSP PRINCIPLES**

National plans will address national priorities and set national goals and targets, including those identified in the Millennium Declaration and adapted to the country specific situation. National planning includes policies and strategies for poverty reduction in all its dimensions and addresses poverty within a comprehensive and long-term vision. This would, in effect, be the Poverty Reduction Strategy [Paper].

Source: *UNDG Guidance Note on PRSPs*, November 2001, p. 2-3.

the UNDP provided support to the Living Conditions Survey, which eventually formed the basis of its PRSP, and in Mozambique and Cambodia, the UNDP supported the establishment of a monitoring and evaluation system to measure the contribution of UNDP-supported community-based initiatives to the poverty reduction strategy. Assistance was also provided to Georgia's State Department of Statistics in preparing and disseminating Labor Market and Child Labor Surveys, the results of which laid the ground for increased efforts in poverty monitoring. Further, poverty monitoring and analysis systems began to be used to track progress on the MDGs. The UNDP also began providing greater support to governments in implementing economic policies that were more pro-poor.

**LINK BETWEEN PRSP AND MDGs**

The MD and its associated MDGs are central to the mission of the UNDP and are discussed in detail below. The approach to the PRSP process presented at the beginning of the next chapter could make it key to the achievement of MDGs. Hence the UNDP's engagement in the PRSP process is rooted in the wider MDG objectives and targets. The United Nations Development Group (UNDG) Guidance Note on PRSPs specifies that link clearly.

Viewed in this context, UNDP engagement in the PRSP process can potentially help a country transform the PRSP from being merely a technical management document to one that can provide the opportunity for creating a new approach to development strategy. The new approach would permeate the relationship between donors and lenders and recipient governments and their peoples. The basis of this vision is its human development approach discussed above.

The UNDP Administrator further pointed out that the PRSP has the potential to radically change the development agenda, when he characterised the international commitment to the MDGs as a 'big bargain' between the developed and developing countries.

*"[The MDGs] are part of an historic Millennium Declaration ... [Success] hinges on a mutual recognition that there is no substitute for internally-led, bold reform in developing countries ... [E]fforts will at best only be partially successful if we neglect the second half of the 'big bargain': a clear, unambiguous commitment by the rich world to support these good faith efforts through tearing down trade barriers, accelerating debt relief, helping poorer countries raise the domestic resources and private investment they need so badly."*<sup>11</sup>

Further clarification of the relationship between the PRSP and the MDGs came at the end of 2002, after the Secretary-General had assigned the UNDP the task of monitoring progress at a global level towards the achievement of the MDGs. In essence, the MDGs would be both the goal and the benchmark for poverty reduction, and the PRSP would be the implementing mechanism. In other words, the PRSP would be the

11. Mark Malloch Brown, UNDP Administrator, speaking at the UN International Conference on Financing for Development held in Monterrey, Mexico, March 18-22, 2002.



'roadmap' for reaching the MDGs. The PRSP process was initiated prior to the international agreement on MDGs. However, the value of the PRSP has increased in view of its role in monitoring the achievement of MDGs. Recent discussions at the senior levels of the UNDG and the World Bank have resulted in an understanding on the MDG/PRSP relationship.<sup>12</sup> For more than 70 of the poorest countries, the PRSP would constitute the primary strategic and implementation vehicle to reach the MDGs.

The UNDP's responsibility for monitoring and leading the campaign for the MDGs could enhance its ability to play a key role in the PRSP process, giving coherence and greater purpose for its work in Headquarters and in COs. It could also facilitate the UNDP moving 'upstream' in the policy process, a move that suits its role as an advisor to governments, its non-partisan nature, and its human development approach to poverty reduction.

#### THE EVALUATIVE APPROACH ADOPTED \_\_\_\_\_

Within the overall context of the UNDP's poverty reduction initiatives, the main purpose of the evaluation is to provide evaluative evidence on the UNDP's role in the PRSP process, focusing on its role in achieving six key PRSP outcomes: increased national ownership, broad-based participation by civil society and the private sector, addressing the multi-dimensional nature of poverty and increased commitment to pro-poor growth, coherence between PRSPs and longer term national planning instruments, partnerships built between development actors, and poverty monitoring capacity built at national and local levels. The evaluation findings are expected to assist the UNDP in positioning itself for a more effective role in the PRSP process in the future.

At the most general level, the analytical approach of the evaluation is based on the following perspectives:

- In every country, the production of the PRSP is part of a process that is both political and technical; thus, the evaluation addresses a dynamic activity, not a static outcome.
- The process is specific to each country, and evaluation judgments should derive from

progress made from the initial conditions and not on the basis of an outcome specified *ex ante* for every country.

- At the time of this evaluation, the PRSP process in each country was a work in progress, even if the PRSP document had been formally presented and approved by the executive boards of the World Bank and IMF; thus, the 'outcomes' are, at the same time, inputs for subsequent phases in an ongoing process.

The Terms of Reference for the evaluation specify the following three issues that are essential to understanding the UNDP's role in the PRSP process:

- engagement to influence the pro-poor content of PRSPs,
- cooperation with partners, including civil society,
- support to implementation and monitoring of the PRSP.

In addition, the Terms of Reference identify the following categories for analysis when addressing the six key outcomes:

- progress made by the UNDP in its contribution to the PRSP process,
- UNDP strengths and weaknesses (so-called comparative advantage),
- good practices, with emphasis on those that might be generalised,
- application of good practices to policy and practice for future,
- sharing of experience across regions (to enhance the role of the UNDP).

Therefore, this evaluation considers a dynamic, developing phenomenon in which the development actors, national and international, are engaged in a continuous learning process. As they learn, that acquired knowledge will feed back into the PRSP process and alter it in ways that cannot be anticipated. To a great extent, it is this dynamism of the process that makes it so promising and creates the potential for fundamental change.

Chapter 2 presents the main findings and lessons from the evaluation, categorized under strategic findings, findings and lessons for the six PRSP outcomes, and findings related to UNDP. Chapter 3 presents conclusions and recommendations.

12. The UNDG and the World Bank agreed in a joint memo dated May 5, 2003 on the relationship between MDGs and PRSP and the respective roles of the UN System and the BWI.

## CHAPTER II

# MAIN FINDINGS AND LESSONS

POVERTY MONITORING

While the focus of this evaluation is on the role of the UNDP, this task could not be achieved without placing it in the overall context of the PRSP. The interventions by the UNDP are only one component of the evolving dynamics of the PRSP process and the role played by the different partners.<sup>13</sup> The evaluation team was assisted by desk research conducted on 18 PRSP/I-PRSP countries where the UNDP was engaged, as well as by visits to 7 countries selected to provide a good mix of typology of countries and regions.

The evaluation findings elaborated below show considerable consistency with the main conclusions of the World Bank/IMF joint staff review of 2002. That review highlighted the continued validity of the objectives of the PRSP approach, the improvements being achieved in the preparation and implementation of both process and content, and potential for improved partnerships with countries and donors. The review also highlighted a number of weaknesses in poverty data, analysis, and target setting and stated “that poverty and social impact analysis of major policies and programmes, has typically not been undertaken as part of PRSP for reasons to do with national capacity constraints and its inherent technical difficulties”. Constraints and areas identified for further improvement are also similar.

In this context it is important to keep in perspective the criticisms and concerns expressed by many partners on the PRSP process, especially by civil society groups.<sup>14</sup> Areas of concern include the dominant roles of the IMF and the World Bank in the

PRSP process, and the requirement for staff assessments of the PRSP to be cleared by the respective Boards, which undermines country ownership; the quality of broad-based participation when national stakeholders lack any real influence in formulating and implementing policies, and also lack the necessary capacities to undertake these tasks; and the absence of independent mechanisms to monitor the PRSP process and its impact.

The specific findings of this evaluation take the earlier assessments a step forward in that they raise some strategic issues and empirically ground many of the PRSP outcomes. This chapter details findings in three broad areas: those that are strategic to UNDP engagement, such as the link between MDGs and the PRSP process; findings and lessons on the PRSP outcomes; and findings related to organizational issues.

#### BOX 4: CRITIQUES OF PRSP

1. Country governments have little control over the structure, content, and policy prescriptions in their PRSPs.
2. PRSP frameworks continue to conflict with local and national priorities of reducing poverty and encouraging popular participation in the design of national development policies.
3. PRSP processes have been extremely narrow in substance and participation. Participation has not extended to financial programmes and macroeconomic planning.
4. Initial drafts of I-PRSP and PRSP were not translated into local languages until final stages, thus excluding local input into the formulation process.

Source: *Report by Focus on the Global South*, January 2003

13. Some of the points raised here may be found in IDA and IMF, *Review of the Poverty Reduction Strategy Paper (PRSP) Approach: Main Findings*, Washington, D.C., March 2002.

14. IMF/World Bank, *External Comments and Contributions on the Joint Bank/Fund Staff Review of the PRSP Approach, Bilateral Agencies & Multi-lateral Institutions (Vol.1) and Civil Society Organizations and Individual Contributions (Vol.II)*, January 2002.

# I. Strategic Findings

## MDGs AND THE PRSP \_\_\_\_\_

Few PRSPs make an attempt to derive their poverty strategies from an analysis of the MDGs and there appears to be little relationship between PRSPs and MDGs. This is especially true if one takes a broader view of the MDGs. This is partly a result of the fact that the MDGs are extracted from the wider context of the MD and are treated merely as targets for monitoring.

UNDP COs are not always consistent in their emphasis on the MDGs as providing the overarching chapeau for formulation and implementation of PRSPs. National MDG reports (MDGRs) by COs are quite recent. While some MDGRs are excellent, in most countries the MDGs have been directly adopted, rather than being adapted through a national consultative process to make them country specific. In Azerbaijan, at the initial stages of formulating the second final draft PRSP, no reference was made to MDGs. The government has since taken steps to ensure that the objectives of the State Programme on Poverty Reduction and Economic Development (SPPRED, the Azerbaijan PRSP) are consistent with the MDGs and has appointed the PRSP Secretariat as its MDG focal point. It also plans to establish a monitoring unit within this secretariat to facilitate the process of ensuring linkages between the PRSP and MDGs.

The MDGs played little or no role in the formulation of policy for poverty reduction in Bolivia, although some COs (Ethiopia and Tanzania) have taken this up. This results from the timing of the PRSP, on the one hand, and the formulation of MDGs, on the other. A future focus of the CO might be to foster a discussion that would lead to nationally owned MDGs, which could be integrated into the policy process. In Mali's PRSP (Cadre Strategique de Lutte contre la

Pauvrete or CSLP) MDGs are referred to in the annex only and in a way that does not indicate coherence between the targets of the MDGs and that of the CSLP. Pakistan's I-PRSP also made no reference to MDGs.

## POVERTY ANALYSIS AND PRSP POLICY LINKS \_\_\_\_\_

It appears from the country visits that PRSPs do not integrate poverty and growth. Whilst there is a coherent growth strategy, most PRSPs do not demonstrate that the strategy is pro-poor. There is no clear link between the poverty diagnosis and poverty reduction policies. Rather, poverty reduction policies tend to be an 'add-on' to a general growth strategy. Poverty and growth are treated separately and linkages between them are weak. Nevertheless, most PRSPs include a focus on poverty issues that is a step forward from previous national documents on growth strategies. This represents a key entry point for UNDP to influence the process and forge the integration of poverty and growth, given its emphasis on the multidimensional nature of poverty and its focus on capacity building.

Through various mechanisms, the UNDP has attempted to strengthen the poverty focus of the PRSPs in several countries. PRSPs with a strong poverty reduction focus were ones in countries with pre-PRSP policy documents containing this emphasis (Ethiopia is the best example). The degree of pro-poor commitment of PRSPs was to an extent a function of previous policy orientation or popular pressure to alter that orientation. The UNDP has been successful in putting equality issues on the agenda in many countries. In some countries, efforts have been made to ensure that important issues are fully addressed in the PRSP, for example, employment issues in Azerbaijan and

participation and distribution issues in Bolivia. In Pakistan, issues of income distribution will be addressed through a new research organisation established with the support of the UNDP. In Mali, the UNDP's contribution included participation in various thematic working groups, mobilisation of resources, and coordinating the work of technical experts in macroeconomic framework. In Bolivia, pro-poor growth receives greater attention from the UNDP than from most of its development partners. It has consistently stressed the importance of equity and distribution for poverty reduction. The UNDP's influence has been through public debate. The UNDP, New York, and the Bolivia CO clearly state what the UNDP means by pro-poor growth: growth designed such that incomes and standard of life of the poor improve faster than those of the non-poor. No definition however is given in the I-PRSP or the PRSP for Bolivia or in the Joint Staff Assessment by the World Bank and the IMF.

UNDP/UN  
AND THE BWI \_\_\_\_\_

Lack of clarity of respective roles between UNDP/UNCT and the BWI has hampered the development of a coherent approach by the UNCT in engaging in the PRSP process at the country level.<sup>15</sup> The partnerships between the UNDP, the World Bank, and the IMF in support of the PRSP process at times posed problems in practice at the country level. Tensions arose from a range of reasons. One of the more common reasons was short deadlines to meet the approval schedules of the multilateral agencies, which conflicted with the outcome of broad-based participation and ownership by a range of stakeholders. A second factor, overemphasis on the macro-economic framework, resulted in limited participation by government line ministries, de-emphasis on the multidimensional nature of poverty, and minimised the importance of the MDGs.

Despite the lack of partnership clarity,

#### BOX 5: AN EXAMPLE OF CCA, UNDAF, AND PRSP INTEGRATION: TANZANIA

The UNCT in Tanzania did not undertake a separate CCA but decided, at the suggestion of the government, to fully support (staff time and funding of local resource people) the analytical phase of the Tanzania Assistance Strategy (TAS). This served as the basis for the PRSP. The UN used the analysis of the causes of poverty contained in the TAS and PRSP as the basis for the UNDAF. The government had prioritised the areas where it needed external support in the TAS and then in the PRSP, which resulted in the development of a sound framework of national strategies and priorities to which the UNDAF could respond. The UNDAF became the UN's response to the TAS and PRSP, identifying areas in the PRSP where the UN had a comparative advantage and could achieve greater impact by working together to provide support. Within the UNDAF, one of the three areas identified as being of highest priority for joint UN assistance was support to the establishment of a national poverty monitoring system and building capacity to analyse poverty data across sectors. This would feed into the PRSP process, the budget process, and other national strategy setting processes. Subsequently, four UN agencies designed new programmes of assistance based on the UNDAF that show the links between the PRSP, the UNDAF, and the agencies' programmes.

in several countries (Tanzania, Ethiopia, and Azerbaijan), the UNDP Resident Representative/Resident Coordinator (RR/RC) seized opportunities to create conditions under which UNDP/UNCT made critical contributions to PRSP formulation and implementation. This good practice indicates what UNDP could achieve across countries were the relationship with the BWI defined globally as one of full partnership. In the case of Mali, it was found that relationships between donors, lenders, and international financial institutions (IFIs) had substantially improved through the PRSP process. Examples of other PRSP countries where UNDP fostered partnerships with the BWI are Niger, where UNDP partnered with the World Bank in multi-lateral advocacy efforts, provision of advisory services, and financial and human expertise; and Nicaragua; Uganda; Armenia; Cambodia; and Cameroon.

15. The UNDG and the World Bank agreed in a joint memo dated May 5, 2003 on the relationship between MDGs and PRSP and the respective roles of the UN System and the BWI.

## UNDP AND THE UNCT \_\_\_\_\_

The key stakeholders do not always understand the relationship between the PRSP and key UN coordination mechanisms, Common Country Assessment (CCA) and United Nations Development Assistance Framework (UNDAF). While the UNDG guidelines set out the ideal scenario of a CCA produced to support PRSP development and a UNDAF to support its implementation, in reality the timeframes do not coincide.<sup>16</sup> Lack

of coordination between UN instruments and the PRSP undermines the greatest strength that the UN system has, the complementarity among the UN agencies. Most agencies will have close ties with relevant sectoral ministries and other sectoral partners. This is particularly important in developing comprehensive poverty monitoring systems. However, some agency representatives appear to resist engagement, even when the agency's headquarters formally supports the PRSP process.

16. A UNDG Working Group on PRSP, chaired by ILO, is currently preparing a new guidance note for UNCTs on support to the PRSP process. New CCA/UNDAF guidelines are also under preparation—an effort that is being led by UNDP.

## II. Findings on PRSP Outcomes

This section elaborates the findings on the six PRSP outcomes specifically. However before discussing these findings, there are certain qualitative issues that deserve attention and understanding because of the implications they have on the PRSP outcomes. It is useful to review the evaluation's findings on capacity constraints on the national side, which hampered the effectiveness of the PRSP process and the quality of the PRSP contents, as well as some crosscutting issues.

**Capacity issues:** Skills in policy formulation, policy analysis, budgeting, monitoring, and evaluation were found to be weak among the various stakeholders—from line ministries to civil society organisations. Areas that needed strengthening were facilitating comprehensive research into pro-poor growth and building capacity to formulate pro-poor growth strategies in research centers and civil society institutions. For the PRSP's real impact, these gaps have to be addressed more intensively.

The evaluation found that the ability to undertake monitoring of multidimensional poverty in some countries had been constrained by the prevalence of alternative indicators and the lack of consensus on appropriate ones, as well as by weak monitoring capacities at district and provincial levels. Capacity for analysis of information was found to be lacking in some instances. The multitude of surveys being undertaken also led to a lack of coordination among different efforts aimed at monitoring poverty. In some countries, it was found that comprehensive district level poverty assessment had not been integrated within an overall monitoring system, which would affect their sustainability in the long term.

The evaluation found that support for capacity building took several forms. In Azerbaijan, Ethiopia, and Vietnam, the UNDP provided support directly to the PRSP Secretariat (or the institutional equivalent). In Mali and Tanzania, the UNDP played an

important role in supporting the preparation of important documents serving as inputs for the PRSP. These two examples highlight one of the UNDP's strengths: It comes to the PRSP with a long-standing involvement in national policy making. Positioning itself 'upstream' in the policy process is not new for the UNDP. Another extremely important vehicle for creating the capacity for homegrown policies are the National Human Development Reports (NHDRs) and related UNDP country reports. These had a substantial influence on the PRSP process in Pakistan and Bolivia.<sup>17</sup>

**Cross-cutting issues:** If interpreted literally, the six PRSP outcomes do not address some key crosscutting issues integral to poverty reduction: making the impact of the global economy positive for the poor, arresting and reversing the AIDS epidemic, resolving conflicts and reconstructing post-conflict countries, promoting gender equality, improving governance so it is pro-poor, and achieving environmental sustainability. The relationship between the six PRSP outcomes and these crosscutting issues is that the former are *processes* while the latter are *goals*.

It is possible that the World Bank and the IMF, because their boards must review the PRSP documents, would place excessive emphasis on the process outcomes rather than on poverty reduction and the associated crosscutting goals. Further, with the exception of governance, multilateral conditionality does not refer to these crosscutting goals. It is also important for the UNDP to foster discussion of these goals in its government and civil society partnerships.

The key vehicle for shifting focus from PRSP outcomes to goals is the MDGs. It is in this sense that the PRSP is the 'action plan' for the MDGs, and the six PRSP outcomes are the necessary conditions for making the action plan effective. The UNDP has made important contributions to all the basic goals

17. The Bolivia country report (see *UNDP's Role in the PRSP Process, Volume II: Country Reports*, UNDP, 2003) contains a detailed discussion of the NHDR 2000.

of poverty reduction, and two especially stand out. With regard to governance, there is a tendency for donors and lenders to treat it rather narrowly as referring to transparency and accountability. The UNDP is perhaps the only agency to have produced an analytical discussion of how *governance* might be reformed so that it could be *pro-poor*. It is surprising that this approach to governance, which is so obviously implied by the PRSP principles, has not had greater impact on donor and lender policy discussions of governance.

Good governance and PRSPs are inter-related. In as far as PRSPs become nationally owned and country driven, good governance will be fostered through democratic participation and accountability. If countries achieve this, it is the responsibility of donors and lenders to adjust and align their assistance to PRSP policies. Thus, the call for good governance is simultaneously a call for greater commitment, flexibility, and openness on the part of donors and lenders.

While all PRSP documents show a formal commitment to *gender equality*, typically this commitment is not linked to most of the policies in PRSP. Major areas of policy are implicitly treated as if they are gender-neutral: macroeconomic measures, credit policy, public sector investment, and labour market reform, to name the more important. A symptom of this omission is the virtual absence of discussion of gender with regard to the six process outcomes in various evaluations. Just as the UNDP has developed an analysis of pro-poor growth, an analysis of growth that enhances gender equality is necessary. Economic policies are not gender-neutral. UNDP can serve the cause of poverty reduction by explaining why and by promoting the economic policies implied by this analysis.

Gender awareness during national poverty debates and skills in gendered poverty analysis were found to be lacking. Also, even though there was recognition of the complex and multidimensional nature of poverty, these issues did not seem to be adequately addressed during formulation of documents. Understanding the environment-poverty nexus also needed to be enhanced. Gender disadvantages constitute a major component of poverty and require not only gender sensitive accounts of poverty but also explicit measures and multipronged and gender specific interventions aimed at

dismantling gender discrimination in the wider policy framework. This is a key area which could be addressed jointly by the UNDP and the UNCT, and specifically by UNDP and UNIFEM, particularly in the area of gender-sensitive poverty analysis and programming.

## NATIONAL OWNERSHIP \_\_\_\_\_

Poverty strategies are nationally owned if their conceptualisation, design, implementation, and monitoring are all the result of a process that is country driven. The difficulty with ownership in practice arises when a donor seeks to maintain some control over these basic parameters. *Government* ownership needs to be distinguished from *national* ownership. *Government* ownership does not indicate or require that the people be consulted. However, the PRSP process sets a broader agenda: national ownership. *National* ownership of development policy is a political process in which a consensus or agreement is reached between the government and civil society. If such an agreement is reached, the policies that are the outcome of the agreement must be acceptable to donors and lenders.

A key principle of the PRSP is that it should be country driven and nationally owned. In the first instance, policies are selected and designed by the government (country driven), then nationally owned through a process of participation by the civil society. National ownership of development policy is a political process. It should be expected that this process will be contentious, because poverty reduction involves one of the most conflictual processes faced by any society: the struggle of the poor and powerless for a reallocation of resources in their favour. If this debate achieves some agreement over policies, the PRSP principles and philosophy imply that donors and lenders should be predisposed to support these. Fostering country driven policies implies that donors enter into dialogue with the government over disagreements and must be willing to accept and support policies with which they may not agree. While for every donor and lender there will be issues on which agreement cannot be reached, 'donor unilateralism' contradicts the basic principles of the PRSP process.

By the nature of their activities, donors and



lenders come into conflict with the practice of national ownership, and each institution should resolve this conflict constructively. In the case of *lenders*, development assistance necessarily involves consideration of securing of loans. In some cases, this consideration may be in the institution's mandate. For *donors* who provide assistance in grants, the conflict is less, but the national constituencies of donors' agencies require varying degrees of monitoring, accountability, and transparency of their development assistance. Therefore, however committed a donor or lending agency might be to national ownership, by its institutional nature, it is constrained in the degree of national ownership that it can accept or allow. There will be some policies that donor and lender agencies might not accept even if they are endorsed by a broad participatory process.

The UNDP, by its nature and mandate, can approach the process of ownership less institutionally constrained than many of its development partners. This position of relative impartiality in the ownership process gives the UNDP unique credibility, allowing it to play a critical mediating role between donors and lenders and the government and civil society—a role that is not possible for donors and lenders. It creates the potential to broaden the practice of ownership, especially when combined with the UN system's traditional capacity-building activities and long-standing contacts with civil society. All of the UNDP's activities, and most notably its efforts to create national capacity for formulating pro-poor policies, take on greater importance as ownership is broadened.

**Findings:** Broad-based ownership of PRSPs is lacking. Typically, one part of the government has strong ownership of the PRSP at the expense of others. The principle conclusion is that progress has been made on PRSPs being government owned, but not, in most cases, on being country driven. Progress on involving civil society to broaden national ownership has been limited. The key change implied by the PRSP is that donors and lenders should no longer make their support to a country's development strategy depend on whether or not the external agencies agree with it. The PRSP process rejects the approach of donorship, in which donors and lenders would sit in the Consultative Group or

Donor Working Groups and air their complaints about national policies and priorities.

The UNDP has fostered national ownership of the PRSP process by both governments and non-government stakeholders. It has contributed to broadening ownership or advocating it among donors and programme countries, but it could do more in fostering a national debate over development strategy and causes of poverty. It has a number of strengths in supporting broader country ownership both by governments and non-government stakeholders and amongst its comparative advantages are its perceived impartiality and its long-standing commitment to programme countries through projects and programmes. In Ethiopia, these advantages were enhanced by an extremely close working relationship with the government, which took the form of the UNDP serving as the intermediary between the government and the community of donors and lenders. This role was unusual for the UNDP. The success of the COs in Ethiopia, Vietnam, and Tanzania in facilitating donor coordination should be considered as models of good practice.

The UNDP's support for government ownership falls into two broad categories:

- capacity building, which includes providing access to pro-poor views in order to make policy 'homegrown';
- support to the participation process, e.g., in Mali and Tanzania, the UNDP played an important role in supporting the formulation process of national strategies for poverty reduction, which served as inputs into the PRSP.

In Ethiopia, Tanzania, and Vietnam, the Consultative Group includes the government as co-chair. In Ethiopia and Vietnam, donors and lenders have been notably flexible, but in some of the other countries, they have been less so. An example of external influence is the setting of strict fiscal limits in many countries.

The PRSP documents for most of the country case studies appear to be government owned, though not country driven. For some countries, the framing of the document involved substantial input from external agencies but was predominantly government owned. Ownership by governments is also complicated when the involvement of one part of the government is much stronger than that of

**BOX 6: FOSTERING NATIONAL OWNERSHIP: THE CASE OF PAKISTAN**

In Pakistan, the UNDP has helped ensure ownership of the content of the PRSP (under formulation) by supporting the development of national policies and strategies that have been incorporated in the document. One example is the UNDP's support to the Centre for Research on Poverty Reduction and Income Distribution (CRPRID). A civil society organization, it is aimed at linking poverty-related research to policy makers and in directing research towards the issues of income distribution and inequality. Development of a homegrown strategy is made possible through linking the Human Condition Report to policy makers through policy briefings. Members of the UNCT have also provided support on a sectoral level. The International Labour Organization (ILO) collaborated closely with the Ministry of Labour in developing a National Employment Strategy that was fully incorporated in the ten-year Perspective Plan and may be incorporated in turn in the full PRSP. The UNDP and UNICEF have considerable outreach, engaging in local level initiatives and working closely with local government. This allows the exploitation of macro-micro linkages, bringing these experiences to policy makers at the provincial and central levels. The UNCT will also have the opportunity to support ownership of the PRSP process by integrating its assistance into the PRSP process through the UNDAF due to be prepared in 2003.

others, as in Pakistan, Vietnam, and Azerbaijan.

In addition to UNDP engagement, many factors affected the ownership outcome in the countries visited. Especially important has been the past relationship between donors and lenders on the one hand, and the government on the other. In Vietnam and Ethiopia, the governments have placed paramount priority on their ownership of

programmes and projects since the beginning of bilateral and multilateral partnerships. In these countries, it has not been necessary to foster government ownership but rather to negotiate its terms. The UNDP's role has been to facilitate the government's zeal for ownership through capacity building and providing access to pro-poor policy advice. In the other countries, both the government and the donors and lenders are involved in a learning process to bring about a transition from donorship to ownership.

For the other three countries visited, particular circumstances impacted the ownership process somewhat negatively. In Pakistan, differences among sections of the government (e.g., the Ministry of Finance and the Planning Commission) have resulted in varying degrees of commitment to the PRSP process. The absence of past experience of development assistance in Azerbaijan has meant that the government's commitment to ownership lacks a historical context and limits the extent to which the government could be 'in the driver's seat'. Finally, a change in government in Bolivia had major implications for ownership, since the current administration views the PRSP as owned by its predecessor.

Different examples for fostering country ownership can be found in specific country conditions. In Bolivia, the UNDP provided strong support to those participating in the National Dialogue to allow municipalities and NGOs to prepare their representatives for an effective role. While this type of support represents good practice, in Bolivia it had little impact on the PRSP itself because of the weak link between the participation process and the PRSP document.

**BOX 7: AN EXAMPLE OF MULTI-DONOR SUPPORT TO THE PRSP PROCESS: ETHIOPIA**

While broad national ownership of the development agenda is a key outcome of the PRSP process, there also needs to be ownership of support to the PRSP process itself. At the same time, donors should ensure that their approaches are harmonised to reduce burden on national partner organisations engaged in the process.

In Ethiopia, the CO played the central role in leading the process of donor engagement in the PRSP process and coordinating donor alignment to the nationally owned MDG. Donor and lender involvement in the PRSP is realised through the Development Assistance Group (DAG). Coordination within the donor and lender community helped to streamline working arrangements, in order to harmonise efforts and views on issues and initiatives pertaining to development cooperation. The DAG Core Group (CG), comprised of 17 bilateral and multilateral representatives, is chaired by the UNDP. As the secretariat, the UNDP also serves as facilitator to the DAG-CG for support of interventions. A joint donor fund was established and managed by the UNDP for channelling support to the government. The UNDP and the World Bank have taken the responsibility for harmonising the different interests of donors and lenders.

## BROAD-BASED PARTICIPATION

The purpose of broad-based participation is to make the PRSP process nationally owned. National ownership has two aspects: participation itself (the process) and the impact of participation on the PRSP (outcome). The UNDP's position on the former is clear: Given the conditions in a country at the time the PRSP process begins, participation should be as broad as is feasible. Equally clear is the UNDP's position on the latter: The participation process should have substantial impact on the PRSP. However, the UNDP's view on conflicts between the participation process and the outcomes in the PRSP is not clear. Conflicts can arise in several forms: the legitimacy of the participation process, between the participation process and formal institutions of representations, and over the degree to which the views of those consulted enter the PRSP.

Questions of legitimacy derive from the difficulty of institutionalising broad-based participation. Since this institutionalisation is an internal political process in each country, direct involvement by the UNDP would be inappropriate (though the UNDP can respond to requests from civil society and government for expert advice). Equally, it would be inappropriate for this evaluation to offer recommendations on how this might be done. An example that may be relevant elsewhere is Bolivia, where the legislature passed a law mandating regular consultation processes.

A second cause of conflict is the tension between formal representative institutions and PRSP participation vehicles. On a general level, it is clear that parliaments should play an expanding role in the PRSP process, and UNDP practice is to facilitate this. Third, and related to the second, is the extent to which the participation process is purely consultative or that it should have mechanisms to ensure that the views of those consulted affect policy.

Achieving clarity about participation begins with the distinction between consultation and participation. The former involves governments (or external agencies with government endorsement) presenting a set of policies to a selection of civil society groups and seeking reactions to these policies. The reactions are

then collated and affect changes and 'fine-tuning' of the predetermined policy framework. Participation, conversely, means that civil society groups are actively involved in the selection and design of policies. This active involvement is consistent with government guidance to focus the agenda but allows for grassroots initiative in policy making. The process in Bolivia was participatory in this sense and had a substantial impact on the allocation of HIPC funds, even though its final impact on the content of PRSP documents was limited.

The UNDP can and does foster participation through access to pro-poor policies, offering a platform for 'dialogue', supporting the logistics of participation, and building capacity in civil society for policy making. Even more important is the agency's approach to participation, which is that it is the vehicle for a national debate on the means and ends of the development process. In this approach, the participation process need not result in consensus (though consensus is desirable). Rather, participation should draw civil society, and especially the poor, into the political process. In this regard, the UNDP's long-term commitment to hold dialogues with both government and civil society puts it in a strong position to help the institutionalisation of broad-based participation. This could include parliamentary involvement, including formal approval of the PRSP document. These process enhancements to expand and deepen participation would contribute to national ownership and go a long way in providing a strong legitimacy to the PRSP process. It would endorse it as a long-term development strategy and not merely a document to meet the conditionalities of donors and lenders. The underlying implication for UNDP COs is to take the lead among donors and lenders to define the participation process as one of national debate, to assist governments in designing broader participation processes, and to provide civil society with the capacity to make a strong contribution to the debate.

**Findings:** The principal finding was that, in most countries, the participation process has substantially contributed to broadening the debate over economic and social policy. However, the gap between what has been achieved and what could be achieved is enormous. In this sense, broad-based

participation is both the strongest and weakest outcome of the PRSP process.

Broad-based participation facilitates transforming government ownership of the PRSP into national ownership. It involves participation by the civil society in the process of developing these drafts. It also goes beyond formulation of the PRSP documents themselves and should be an ongoing process supported by the PRSP process. It involves regular dialogue between the government and civil society (including private sector) on poverty issues. Part of the progress toward broad-based participation is developing mechanisms to institutionalise this dialogue and making it sustainable and including the poor so that their views reach the government.

There is no general formula for determining whether this outcome is being achieved. It depends on the history and circumstances of each country. The key issue is what progress has been made towards this outcome, not the particular form or extent of participation at a moment in time. The necessary dimension of participation is the inclusion of the poor, so that their views reach the government.

In each case study, each country had a different starting point in the PRSP process. As a result, genuine progress in one country might appear as quite limited participation in another. There appeared to be no correlation between the depth and breadth of the participation process and its impact on policies in the PRSP document. One relatively objective indicator of progress towards this outcome is the extent to which participation changed during the construction of the PRSP compared to the I-PRSP.

In Azerbaijan, there was limited participation compared to countries with a tradition of formal democratic institutions but it was a considerable advance on the pre-PRSP situation. Participation in the I-PRSP was quite limited but substantially broadened for the PRSP process. Civil society groups enjoyed unprecedented involvement in the PRSP, though the nascent private sector's role was limited.

In Vietnam, it would be more accurate to describe the process as one of consultation that is gradually leading to further participation. In the absence of NGOs and in view of the elaborate political structure that characterises

the system in Vietnam, the consultation process directly reached the rural communities including the poor, and this represented the country's first significant independent consultation process; thus, it represented substantial progress.

In Ethiopia, the vehicle of participation was government-led PRSP consultations spanning district, regional, and federal levels. Inclusion of civil society organizations (CSOs) and NGOs in Ethiopia represented a step forward, though some participants felt that the government exerted excessive oversight of the dialogue, a complaint made in the other countries visited. Without passing judgement on the validity of such criticisms, one can conclude that the Ethiopian participation process represented a major improvement on the typical practice of treating poverty reduction strategies as a purely technical exercise.

The participation process in Mali was problematic, for it appears that representatives of the poor were not included, nor was parliament, and access to key information was not provided to those who did participate. The PRSP participation process followed from a series of *ad hoc* consultations during the 1990s. Participants and observers of the process do not agree on whether it represented progress compared to those previous consultations.

Pakistan, Bolivia, and Tanzania have formal representative institutions and multiparty systems, and, at various times, parliaments have played an important role in politics. Progress was made in Pakistan to involve civil society and the private sector, but consultation and inclusion of the new district governments was highly variable. On a more positive note, the consultation process at the central level contributed to developing poverty indicators. However, as in Mali, effective involvement by the private sector was notably absent.

By any comparison, participation in Bolivia was broad, deep, and qualitatively different from that in the other seven countries. Initiated for the HIPC process and continuing through the construction of the PRSP, the National Dialogue was built up from community meetings to the regional level and finally to the centre. The dialogue included indigenous groups historically excluded from the political process and

assumed a dynamic of its own. Further, and of central importance, of the seven countries, only Bolivia has institutionalised the non-parliamentary participation process through a law passed by the Congress. However, this deep and broad participation may have had less impact on the policies in the PRSP in Bolivia than in those countries in which participation was narrower and shallower.

The history and current conditions in each country strongly affected progress towards broad-based participation and national ownership, since, in each country, participation occurred in a broader social and political context. Contextual factors affecting the outcome in each country were:

- *Azerbaijan*: absence of a democratic tradition, recent creation of the country with no history of a planning framework after independence, weak private sector;
- *Bolivia*: long history of popular mobilisation, active formal institutions of representation, vigorous civil society including business, trade unions and peasant organisations;
- *Ethiopia*: conflict-affected, recently established formal institutions of representation;
- *Mali*: high aid dependence that fosters government inertia, weak technical capacity;
- *Pakistan*: weak dialogue between policy makers and civil society, policy constrained by conditionalities on development assistance;
- *Tanzania*: aid dependence, legacy of a one party political system, weak dialogue between private sector and the governments of the mainland and Zanzibar;
- *Vietnam*: one party system in a unitary state, mitigated by a political tradition of consultation and consensus building.

Progress toward the outcome should not be interpreted as essentially negative. On the contrary, the progress achieved, albeit small by some judgements, in all countries represents a substantial change from the status quo. Future progress requires institutionalising participation, as has been done in Bolivia. How this will be done in each country will be a nationally owned process that outsiders can foster but not guide.

In Bolivia, Mali, Ethiopia, and Azerbaijan, the UNDP made major contributions to the participation and consultation process. The substantial contribution made by the UNDP in Bolivia can largely be attributed to two

#### BOX 8: ADVOCACY FOR BROAD-BASED PARTICIPATION: THE CASE OF BOLIVIA

The primary vehicle for broad-based participation in Bolivia was the National Dialogue of 2000, which received strong support from the UNDP. It represented a historic event in Bolivia and a law has been passed by Congress establishing National Dialogues on a regular basis. The importance of the National Dialogue goes far beyond its relationship to the PRSP.

The First National Dialogue, 'Bolivia Towards the XXI Century', took place in 1997, bringing together representatives from the central government, the most important organised groups of the civil society, and political parties. The timing of this dialogue was prompted by the need to meet HIPC conditionality. In 1998, Bolivia obtained its first relief from the HIPC-I debt. The relief, in net present value, was \$US 448 million, distributed over 20 years (equivalent to 10% of the country's debt in 1981).

A new participatory process began with the Second National Dialogue, 'Economic Growth and Fight Against Poverty', in early 2000. The first steps occurred at the municipal level, followed by the organisation of participatory round tables at the departmental level, to finally achieve the 'National Dialogue 2000'. The UNDP's participation was important for the success of the process. Drawing on the conclusions of the national *Human Development Report 2000*, the UNDP called for strengthening a 'deliberative democracy', through popular participation, both local and national. During the dialogue, the UNDP provided technical assistance on the design of the participatory processes and facilitated the allocation of resources from the international agencies to enhance these processes by use of a 'basket fund'.

factors: first, the UNDP treated the process as an end in itself, not as derivative from the PRSP process; and second, Bolivia has a long (and often violent) history of popular mobilisation.

In the seven countries studied, the UNDP primarily financed some of the activities within the participation process, such as local or national level roundtables and other discussion fora, but more importantly, it has engaged in the design of the participation process. Good practices in this respect have been to help governments bring together the different players in the participation process and identify appropriate strategies for undertaking it in a coordinated and comprehensive manner. It has also been successful in helping civil society participate more effectively.

In other PRSP countries, UNDP funded consultations with civil society on the PRSP

(Guyana); helped in promoting consensus building on the PRSP process by incorporating civil society groups and political parties (Honduras); facilitated policy dialogue between civil society and government within the PRSP framework, especially at the local level with NGOs, the private sector, municipal authorities and community based organizations (Nicaragua); strengthened NGO and civil society capacities for effective participation in and negotiation with the government on the PRSP formulation process (Niger and Zambia); and provided technical assistance to improve both the substance of the I-PRSP and the process of public participation (Georgia).

Fostering broad-based participation is the weakest of the six outcomes for the UNDP, yet it is one of its natural strengths—it has considerable outreach that can be utilised in the participation process. The UNDP can foster ongoing dialogue between the government and both the civil society and the private sector on poverty issues. It can support mechanisms to institutionalise this dialogue and make it sustainable and also design the participation process. Capacity building must support ownership including the development of homegrown, pro-poor policies.

#### MULTIDIMENSIONAL NATURE OF POVERTY & PRO-POOR GROWTH \_\_\_\_\_

The multidimensional nature of poverty and the pro-poor content of growth are so integrally related that they should be considered together. To judge whether growth is pro-poor, one must have a view on the nature of poverty.

Sustained economic growth is necessary to reduce poverty, but such growth will reduce poverty at a faster pace if it is pro-poor and focused, for instance, in rural areas where most of the poor live. This, in turn, may require additional public expenditure for expanding rural infrastructure, education, and health services. The policy framework for macroeconomic stability will thus have to be harmonised with policies that will stimulate the pace of economic growth as well as with policies and programmes for poverty reduction. Finally, vigorous efforts will have to be made to empower the poor through the promotion of pro-poor organisations so that they can

actively participate in identifying their problems and priorities and in the development process as a whole.

The instruction that PRSPs should address the multidimensional nature of poverty is central to the construction of an effective poverty reduction programme in all countries. Poverty analysis is transformed from a technical exercise to one in which the population, and especially the poor, participate actively. Addressing the multidimensional nature of poverty thus becomes a process in which policy and participation are integrated to produce a nationally owned poverty reduction programme and nationally owned MDGs.

This approach broadens the scope for UNDP engagement in the PRSP process. The UNDP lacks the resources to fund detailed and extensive household surveys for many countries. These surveys, as important as they are, are but one input required for identifying the multidimensional character of poverty. More important are processes in which the UNDP has long-standing expertise: capacity building in civil society to foster independent analysis of poverty; engagement in civil society to facilitate activating the voices of the poor; and national Human Development Reports, now to be complemented by national reports on MDG progress, to provide a poverty analysis framework.

Excessive emphasis on income poverty characterises most PRSP documents, reflecting a continuation of the view that national planning and poverty reduction are technical exercises in which the poor have a passive role as recipients of benefits. Conversely, the poverty reduction strategy promoted by the UNDP over a long period of time calls for the poor to define and seize upon benefits, rather than await their arrival. This is the essence of the UNDP's approach to poverty, and it must be vigorously advocated.

The UNDP's effort to broaden the approach to poverty is an ongoing, dynamic process, although it is not yet fully reflected in the current PRSPs. The main task for UNDP COs is to convey the message that reducing poverty requires that the PRSP be based on an analysis of the multidimensional nature of poverty. That, in turn, drives the design of economic policies and the monitoring of progress in poverty reduction.

By the UNDP's definition, pro-poor growth

occurs when the poor, however defined and measured, benefit disproportionately.<sup>18</sup> Pro-poor growth policies may require the creation of 'fiscal space' for pro-poor expenditures. This definition of pro-poor growth has been and is in the process of being made concrete by a long series of UNDP policy research, most notable is the joint programme of the Bureau for Development Policy (BDP) and the Regional Bureau for Asia and the Pacific on pro-poor macro policies, which builds on the Knowledge Network for Poverty Reduction (1996-97) and the recent study of 15 countries by the Regional Bureau for Latin America and the Caribbean.

A key part of pro-poor growth will have to be policies to raise agricultural productivity and promote participatory rural development, involving a much wider range of activities, which can be successfully undertaken only through decentralised local institutions and civil society organisations. This broader approach to pro-poor growth lays the basis for the UNDP to integrate ownership, participation, and capacity building. It aids countries in developing the capacity to construct home-grown, country driven strategies based on a choice of pro-poor policies, which become part of the participatory national debate over the goals and framework for development. The national debate, in turn, contributes to national ownership of PRSPs.

It is generally recognised that economic growth is necessary but not sufficient for sustainable poverty reduction and human development. For economic growth to effectively translate into poverty reduction, it must be pro-poor, rapid enough to improve the absolute condition of the poor, and equitable so that it improves the relative position of the poor.<sup>19</sup> This is true for income poverty or broader multidimensional definitions of poverty such as human poverty. The UNDP guidelines on engagement with the PRSP note that "Equity is good for the poor because it is good for growth and for distributing its benefits across the population, including the poor. High inequality inhibits growth, contributes to poor policy-making and delays pro-poor reforms."

**Findings:** Treatment of poverty in PRSPs in some countries is too narrow, over-emphasising the income dimension, rather than encompassing a variety of other aspects, which are country and community specific. Progress on deepening and making this kind of analysis and understanding of poverty has been limited.

Long-standing UNDP work on the nature of poverty recognises that it is a complex and multidimensional phenomenon. Poverty does not only relate to issues of income but also to a variety of other dimensions. To effectively reduce poverty, one must understand its many dimensions and the priorities among them. One must also distinguish between means and ends and examine linkages between the dimensions. For example, when addressing narrow income poverty, education is often a means to reduce poverty. When addressing multidimensional poverty, education becomes an end in itself, allowing people greater opportunities and choices to lead a full life. In the 1997 HDR, the UNDP introduced the concept of 'human poverty' to capture its approach to multidimensional poverty. Human poverty focuses on the capabilities people have to function in a social setting. These aspects of poverty are country specific and are identified through listening to the poor themselves.

As observed in the countries visited, the pro-poor content of PRSPs increased when the UNDP focused on fostering national discussions on the nature of poverty, via its work on monitoring MDGs and the social costs of poverty, and facilitating giving voice to the poor. Yet, COs have made insufficient use of pro-poor analytical work done in Headquarters. A key task for UNDP COs is to provide governments and civil society with policy perspectives that are more pro-poor, including monetary, fiscal, and exchange rate policies, and to ensure these perspectives are fed into their dialogue on PRSPs. At a formal level, the UNDP supported efforts to generate a more multidimensional analysis of poverty in all the countries visited. This was strikingly effective in Bolivia, as a result of the influential impact of the last two National HDRs, written by a team composed almost

18. See draft *Policy Note on the Role of Economic Policies in Poverty Reduction*, April 2002, p. 2, which states, "Such a strategy implies...greater equity at the start of the growth process (such as through land reform or universalising basic education) or by decreasing inequality over time (such as through pushing up wages by generating widespread employment among low-skilled workers)."

19. McKinley, Terry. *Economic Policies and Poverty Reduction: Macroeconomics, Restructuring and Redistribution – the Basis for a UNDP Guidance Note* (Draft Document). UNDP, BDP. March 2001.

entirely of nationals. Monitoring of MDGs also played an important part in raising awareness of the complexity of poverty, especially in Vietnam, where the National HDR (2001) provided a valuable framework for the PRSP. Vietnam has also succeeded in establishing more realistic and ambitious National MDGs, which have greatly facilitated the formulation and implementation of the comprehensive PRSP. Support to non-government research institutions for poverty research, as in Pakistan, can have an extremely positive role in influencing government thinking. Other examples of PRSP countries where UNDP contributed to bringing a multi-dimensional perspective of poverty, include Burkina Faso, where it organized a Round Table on Governance and produced the NHDR on Governance (2000); Honduras and Zambia, where UNDP also provided assistance for the government's governance efforts; Mozambique, where in collaboration with ILO, it undertook a study on gender and poverty; and Nicaragua, where it promoted linkages between poverty, governance and the environment.

UNDP, because the agency's engagement in a country is not dependent upon the PRSP. On the contrary, if a government wishes to substantially revise its PRSP, the UNDP can assist it in designing pro-poor policies. Again, the UNDP's institutional nature allows it the flexibility to deal with what might be a problem for donors and lenders.

A second challenge is the issue of coherence of PRSPs with MDGs, especially if PRSPs are to be viewed as the action plan for MDGs. More analytical work is needed to ensure that the policies and interventions proposed in the PRSP contribute to achieving the MDGs. A simple assumption is that if PRSPs are monitored on the basis of MDGs, then policies will automatically be aligned to achieving the latter. While this may be true to some extent, a more conscious and concerted effort is needed to generate an explicit statement on the role of the PRSP in achieving the MDGs.

**Findings:** Whilst there is coherence between the PRSP and other policy documents in terms of poverty emphasis, this is not necessarily a positive outcome when the latter have little pro-poor content. This again presents a potentially useful role for UNDP. The weak aspect of coherence was not only in fiscal links to Mid-term Expenditure Proposals, Public Investment Proposals, and the annual fiscal budget, but more importantly, PRSPs need to be integrated in the larger planning framework that would include sectoral and thematic programmes. A major flaw in many PRSPs is the lack of a chapter or section explaining how the PRSP fits into the planning framework (a major issue in Azerbaijan and Pakistan). Further, as discussed earlier, more needs to be done to link PRSPs with the MDGs.

Coherence between the PRSP and any long-term national planning instruments is essential if the PRSP is to build towards achieving the longer-term goals and visions. The goals of such long-term planning instruments should coincide with the MDGs—either the global ones or appropriate regional or national ones. The existence of such planning tools also makes the development of the PRSP easier. By focussing the plans on the MDGs, the PRSP will become a powerful tool for achieving these goals. The UNDG Guidance Note to UNCTs on the PRSP highlights the role of the UNCT in ensuring that “the MDGs are substantively addressed in the PRSP both sectorally and cross-

#### COHERENCE WITH LONG-TERM STRATEGY \_\_\_\_\_

Few would disagree with the desired PRSP outcome that the document should be coherent with respect to other longer-term national policies and plans. However, this is a rather static view of policy, which may not accommodate the realities of the political process in many countries.

A problem not anticipated, at least explicitly, in documents about the PRSP is its status with regard to governments. On the one hand, a requirement of PRSPs is that they be government owned; on the other hand, one finds no explicit discussion of their status when governments change (as in Bolivia). One can argue that if the PRSP arises from a process of broad consultation, its legitimacy may transcend any particular government. However, the reality is that few participation processes have been sufficiently broad-based to qualify as bestowing trans-government legitimacy on the PRSP.

While a change of government may present a potential problem for BWI, as it is the basis for their multiyear lending programmes, it poses no particular difficulty for the



sectorally and that policies are monitored and assessed in terms of their impact on the MDGs”.

Several of the countries studied have strong planning frameworks, including long-term national development planning instruments. In two of these countries (Ethiopia and Tanzania), the PRSP has been developed explicitly within the framework of a national plan. In other cases, it has not, and parallel planning frameworks have been developed. The Tanzania Mainland Development Vision 2025 and Zanzibar's Vision 2020 are expressions of national aspirations for a society free from abject poverty and a country of middle-income status by the year 2025. The PRSP has been developed specifically within the context of these strategies. Pakistan has a planning framework, but it is unclear how the existing I-PRSP fits into it or how the forthcoming PRSP will do so. This is partly due to institutional issues described in relation to Outcome 1, because ownership is in the Ministry of Finance, not in the Planning Commission.

In Vietnam, the government has announced a ten-year Socio-Economic Development Strategy (2001-2010) and the five-year comprehensive PRSP effectively translates this ten-year strategy into an action plan, thus ensuring coherence between the two. In contrast, in Azerbaijan and Mali there are no long-term national planning instruments. Azerbaijan abandoned the five- and ten-year plans inherited from the central planning system soon after the start of the transition to a market economy. These have not been replaced with other longer-term national planning instruments appropriate to the new economic environment. The PRSP (SPPRED) notes, however, “Care has also been taken to ensure that the objectives of the SPPRED are consistent with the Millennium Development Goals as developed in the United Nations Millennium Declaration”. The government recognises the need to develop a longer-term planning tool that will act as a framework for developing successive PRSPs. It has stated that the MDGs will be used as the reference for developing a long-term Sustainable Human Development Programme for the country.

The UN system, and the donor community as a whole, has yet to fully engage the government of Azerbaijan on the issue of its commitment to the MDGs. Some engagement has taken place, reflected by the assurance of the PRSP Secretariat and the

Minister of Economic Development to fulfil this commitment. The government has also appointed the PRSP Secretariat as its MDG focal point. The UNDP is fully aware of the problem of agreeing to indicators and has proposed the establishment of a working group as part of the process of doing so. In addition, agreement has been reached on establishing a monitoring unit within the PRSP Secretariat that would facilitate linking the PRSP and the MDGs.

In Mali, the PRSP (CSLP) is for five years, rather than the standard three, and is viewed as medium-term. The lack of a long-term officially institutionalised planning framework is a cause of concern, because the lack of institutionalisation can make CSLP processes rather ephemeral. At the same time, the very lack of a previous planning framework paved the way for the CSLP to be considered the only strategic government framework to be used by international partners in their support to the country. In other words, the lack of institutionalised instruments makes it easier for the CSLP to have a prominent place in the overall government strategy. There are both opportunities and constraints for the success of the CSLP process due to the lack of a solid programme policy framework. It may prove difficult to translate general strategic orientations into specific policy measures and action plans. In Uganda, UNDP supported the preparation and dissemination of Vision 2025 and the Uganda Participatory Poverty Assessment Project, which fed into the Poverty Eradication Action Plan (PEAP)/PRSP process. UNDP together with the World Bank assisted the Government of Zambia in the process of establishing the National Long Term Vision; and in Cambodia, the national PRSP was based on the medium term development plan (Socio-Economic Development Plan 2001-2005).

## DEVELOPMENT PARTNERSHIPS

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The UNDP participates in three types of partnerships: with donors and lenders, with governments, and with civil society. For any donor, lender, or UN agency, partnerships are a vehicle for increasing the coordination and effectiveness of assistance. They are also essential in the achievement of outcomes. At the same time, they also pose a potential risk to an institution's independent identity. The

**BOX 9: ENHANCING PARTNERSHIPS:  
THE EXAMPLE OF MALI**

In Mali, partnerships were built prior to the introduction of the PRSP process. UNDP support for the formulation of the SNLP (National Strategy for the Fight against Poverty) and the National Outlook Study: Mali 2025, entailed the highly participatory process of a large number of stakeholders. The UNDP built partnerships during and after the formulation of the two sector-wide approaches. Subsequently, four UN agencies, including the UNDP, together with Norway and Luxemburg are supporting a government project (PISE) to encourage women's education within the PRODEC (Programme Decennal de Developpement de l'education) Ten Year Education Programme framework. This component has been included in the final CSLP.

The National Action Programme for Employment Generation and Poverty Reduction (NPAE/PA) was finalised in partnership between ILO/UNDP and these two organisations advocated the inclusion of the priority components in the PRSP (CSLP). The UNDP played a key role as an advisor and coordinator of technical assistance in the elaboration of CSLP by establishing close partnerships with the EU, ILO, the French Cooperation, the Atomic Energy Committee, and the IFIs. Similarly, the UNDP played a leading role in the completion of the CCA and solicited the collaboration of the World Bank, the IMF, and the CSLP Coordinator. The UNDAF process was also launched with the collaboration of the BWI.

UNDP's engagement in each country must balance these two aspects of partnership. With few exceptions, the most important partnership for UNDP in this category is that with the BWI, and especially the World Bank. Because of the pivotal role of this partnership, it was treated at the outset of this chapter.

It remains to consider partnerships with government and civil society, which are the UNDP's demonstrated strength. This strength arises from the organisation's long presence and involvement in countries and its traditional commitment to national ownership. The potential arising from the UNDP's history of strong government and civil society partnerships has not in all cases been realised.

**Findings:** The UNDP is engaged in effective partnerships with a broad range of stakeholders in the PRSP process, and it plays a major role in the UN RC system. However, more can be done by UNDP in leading the CCA and UNDAF processes in support of the PRSP.

The mission found that the link between

the UNDAF and the PRSP was insufficient in some of the case-study countries. In addition, the UNDP needed to foster ownership of the PRSP process in the UN agencies and ensure their full understanding and their potential role in it. A coordinated UN country contribution would strengthen the UNDP's role in the PRSP process.

Partnerships are important as they promote broad ownership of policies and facilitate more effective participation and implementation in the development process. They can contribute to more effective use of development assistance and better division of labour based on comparative advantage. A key issue, however, concerns the sustainability of partnerships made during the PRSP construction and the opportunity for them to continue during implementation.

In most of the countries studied, the importance of the UNDP's role in coordination has been raised, particularly its role as a bridge between governments and the donor community. As a neutral and usually trusted partner to both the government and the donor community, the UNDP is well positioned to fill this function. In addition to donor coordination, the UNDP has fostered aid coordination. It has facilitated the integration of external assistance into national strategies and programmes, through supporting the government-donor relationship, including aid coordination 'roundtables'. In several case-study countries, most notably Bolivia, little progress has been made on donor and lender coordination. The UNDP was able to play a special role in addressing sensitive issues in which other donors did not wish to engage. Coordination also manifested itself in the harmonisation of donor views, enabling them to engage with the government with one voice and so more effectively advocate policies.

The UNDP's leadership role among the donors and lenders manifested itself in different ways. In Tanzania, the UNDP chairs the Donor Assistance Group and acts as its secretariat. In Ethiopia, it chairs the Development Assistance Group, serving as its secretariat, and it also chairs the Consultative Group. In Vietnam, UNDP hosts a monthly Donor Forum that discusses pressing development issues. In Mali, the RR/UN RC is the chair and spokesperson of the donors' committee. The leadership and coordination activities of the UNDP in Ethiopia and Vietnam are a salient example of 'good practice'. There is unrealised potential for the UNDP to play this

type of leadership role in other countries. The UNDP has also played a role in strengthening partnerships of which it is not a part. In Azerbaijan and Bolivia, it has exploited its generally acknowledged strength as a neutral and trusted partner to both the government and the civil society to bring these groups together for dialogue. It has also supported NGOs and other CSOs in engaging more effectively with the government in the PRSP process.

## POVERTY MONITORING CAPACITY \_\_\_\_\_

The issue of monitoring can be addressed on at least two levels. The PRSP requires close and effective monitoring, which is primarily the responsibility of the government. The UNDP can and does play an important role in this by ensuring that strong government capacities are built up to monitor poverty in its broader context. These monitoring capacities have to be an integral part of those required to monitor MDGs.

The UNDP engages in discussions and consensus building over methodology for poverty indicators. Identification of the appropriate indicators for monitoring the many dimensions of poverty is a vital step in developing the poverty monitoring system and one that requires consensus building among stakeholders, including external agencies. Once selected, efforts should ensure that the methodologies are appropriate and cost effective. Poverty monitoring that addresses the many dimensions of poverty is an obvious area for UN system collaboration and partnership but especially in the area of indicators.

If monitoring is defined as a choice of indicators based on technical considerations, measurement by a specialised agency using those indicators, and comparison of the measurements to pre-established goals (e.g., the internationally established MDGs), then the UNDP may face the following constraints: shortage of staff with technical expertise in poverty measurement and lack of resources to fund measurement surveys in a large number of countries (though the UNDP has provided important support to monitoring).<sup>20</sup>

As argued earlier, the UNDP can help broaden the concept and practice of monitoring in the interest of effective poverty reduction. The

UNDP can foster broad-based participation in identifying poverty (its multidimensionality), finding appropriate indicators (its measurement), and monitoring of policy impact. In doing so, it expands its role and contributes to national ownership of poverty reduction programmes.

At a different, though perhaps equally important level, the UNDP also has a potential role to play in strengthening independent monitoring and evaluation capacities that are in line with the broader approaches to participation and transparency. Such capacities have to reside in civil society so that an independent assessment of performance can be made and so that government departments and programmes can be held accountable to the goals set in the PRSP. The UNDP is probably the best-placed international agency to foster independent assessment capacities, which is also an essential part of the overall objectives of improved transparency and good governance.

**Findings:** Institutional arrangements and capacities for poverty monitoring required for PRSPs are inadequate. Poverty monitoring requires effective institutional structure and appropriate capacity as well as strong grounding in different techniques and methodologies involved. Monitoring progress towards poverty reduction represents the greatest unrealised opportunity within the PRSP process for the UNDP. As countries are in the initial stages of monitoring, the scope and nature of the process has yet to be clarified; donors and lenders have yet to 'stake out their claims' in the monitoring area. Conversely, MDGs and HDR work over many years gives the UNDP a clear 'comparative advantage'.

In general, the UNDP's support for poverty monitoring covers a range of actions linked to poverty reduction strategies and PRSPs and includes capacity development, poverty assessments, participatory monitoring and evaluation and work on National HDRs. These aspects are illustrated in the case studies undertaken by the mission. (See *Evaluation of UNDP's Role in the PRSP Process, Volume II: Country Reports*, UNDP, 2003.)

It is essential to set clear goals that are an outcome of broad participation and reflect the multidimensional nature of poverty. Monitoring progress towards these goals is essential if the PRSP process is to be effective, since strategies will need to be amended in light of lessons

20. See UNDP *Overcoming Human Poverty*, 2000, p. 105, which notes, "Most poverty monitoring systems continue to rely on income poverty measures..."

learned. Participation sets the benchmarks that facilitate the identification of effective or sub-optimal policies and interventions. Clear goals and monitoring instruments will also improve the transparency of the PRSP process, especially in the allocation of resources.

It should be noted that the PRSP in Vietnam is quite recent and the PRSP in Bolivia is under revision, so monitoring arrangements have not been fully established. Among the other case-study countries, UNDP support to monitoring has varied significantly, but the agency has addressed a range of major issues. It has intervened in issues related to the organisational arrangements for poverty monitoring. In several countries (Azerbaijan, Tanzania, and Pakistan), the UNDP assisted in establishing a new unit for monitoring or strengthened existing organisations within the government. However, this has not always occurred in the context of clear organisational arrangements for monitoring (i.e., Pakistan) where there has been greater support for monitoring by autonomous research organisations. UNDP's support to poverty monitoring took different forms in other countries: In Armenia, it provided assistance to the government in establishing and operating a monitoring and analysis system as an important component of the PRSP; in Burkina Faso, it ensured the inclusion of specific indicators on governance in the list of agreed indicators retained by the "Observatoire de la Pauvrete" for monitoring poverty trends as they relate to PRSP, UNDAF and MDGs; and in Georgia, it assisted the State Department of Statistics in preparation and dissemination of two important surveys on Labour Market and Child Labour, both of which would lay the groundwork for more

objective efforts in poverty monitoring.

The ultimate responsibility for monitoring is with the government, especially in a representative society, and the government is the most important user of the information to develop pro-poor policies. However, the role of civil society to oversee this process is essential. Tracking and evaluating progress must be independently undertaken within an agreed-upon system. Strengthening capacities in both government and civil society for monitoring and evaluation is an area of need that the UNDP/UNCT can address together.

There is a contradiction between the principle of national ownership of PRSPs and the fact that monitoring is seen as principally to report to external agencies. With its emphasis on nationally owned MDGs, the UNDP would be the logical agency to raise this anomaly and press for PRSP reports aimed at national audiences, which would secondarily be used as progress reports to donors and lenders.

There has been less direct support for capacity building for poverty monitoring. Some of this has been aimed at strengthening capacities for implementing specific surveys. Other support has been limited to financing surveys that involved little capacity building. Other areas of potential UNDP/UN System support are important for countries still developing the PRSP or in the early stages of implementing it. These include clarification of the poverty monitoring framework that defines roles and responsibilities and ensuring sufficient resources, both human and financial, are available. Considerable potential exists for the UNDP to coordinate monitoring to ensure that organisations, both public and private, operate in a complementary manner and do not duplicate each others' work.

#### BOX 10: SUPPORT TO POVERTY MONITORING: THE EXAMPLE OF TANZANIA

In building poverty monitoring capacity in Tanzania, the UNDP provides support to the PRS Secretariat in the Vice-President's office, which is responsible for implementation and monitoring of the PRS. The UNDP supported the process of choosing indicators to be used in the PRS(P) through participation in the inter-ministerial workshop that focused on the choice of these indicators. The UNDP assisted the government in drafting the Poverty Monitoring Master Plan. It is a member of the government inter-ministerial technical committee on PRSP, in which capacity it assisted the government in producing the first PRS(P) progress report in 2001, which enabled Tanzania to reach the completion point under HIPC-II. It continued working closely with the government in the preparation of the second PRS progress report for 2001/2002.

The UNDP is a member of various poverty monitoring working groups on Research and Analysis, Census and Surveys, Routine Data, and Dissemination, and it provides financial resources to Research and Analysis and Dissemination groups. The CO provides support to Participatory Poverty Assessment (PPA) activities under the poverty monitoring system, the results of which will be used to inform the PRS process on poverty issues in Tanzania. The CO is also supporting the PER/MTEF process, which informs the PRS process on resource allocations among PRSP priority sectors. The CO also supports the PER/MTEF process in Zanzibar.

### III. Organisational Findings

General conclusions about the UNDP's engagement in the PRSP process may be summarised as follows:

- The most common criticisms arise because the process is evolving, and it is not clear how important problems internal to the process will be resolved.
- While the financial contribution of an agency generally affects its influence within the donor community, the financial contribution of UNDP did not prove to be a constraining factor.
- The greater the degree of national ownership, the less rivalry and more complementarity there is likely to be among donors and lenders.
- Fostering national ownership requires the full participation of different parts of government and civil society organisations, and this requires overcoming the capacity constraints faced by stakeholders, public and private.
- Strengthening skills in policy formulation, policy analysis, monitoring, and evaluation to enhance multistakeholder participation is a key role for the UNDP together with members of the UNCT.
- Playing a more effective role in the PRSP process requires an enhancement of technical skills amongst UNDP staff providing upstream policy advice, as well as among those engaged downstream, in order to link macro and micro issues.

#### MOVING UPSTREAM \_\_\_\_\_

As the Bureau for Development Policy, the Human Development Report Office, and the Office for Development Studies have shown in their work and reports, the human development approach represents a pro-poor framework to the approach to development, including a macroeconomic package that is pro-poor. In each country, this package may be somewhat different, for the UNDP challenges the one-size-fits-all approach. Central to the

UNDP's capacity building efforts for country ownership of policies is the human development approach, with its pro-poor monetary, fiscal, and exchange rate policies that create the macro environment for human development and poverty reduction.

The World Bank and the IMF are engaged in internal discussion on how to make their lending more pro-poor, both in terms of policies and conditionalities. This provides the UNDP with a key opportunity to demonstrate clearly that the human development approach includes a comprehensive macroeconomic framework. Further, the evaluation found that the World Bank and the IMF seem to be open to innovative ideas in this area, which the

#### BOX 11: THE UNDP'S COMPARATIVE ADVANTAGES

- The UNDP is perceived by both governments and other members of the international community as impartial (the word 'neutral' is frequently used), and therefore, can play a role in sensitive matters that some donors and lenders may not be well positioned to undertake. This reflects the essentially complementary relationship among donors and lenders, which the UNDP can enhance.
- Closely related to the above, the fact that the UNDP is not a source of substantial development assistance, far from being a source of weakness in influencing policy, is a platform for its policy influence. This is the source of its 'neutral mediator' role. This neutrality must be combined with technical expertise to have an impact on policy.
- Within the UN system, the UNDP's lack of a specialised function is a benefit, which gives it a broader perspective than other agencies, and, compared to some, a longer-term view of policy.
- As the coordinator of the UNCT, it is in a position to pursue harmonisation of different programming processes and ensure the synchronisation, whenever possible, of the CCA and UNDAF with national development plans—the CCA serving as an input into the PRSP and contributing to monitoring of progress towards the MDGs, and the UNDAF representing the UN's action plan for the PRSP.

UNDP could provide.

Headquarters' policy work in the macro-economic area is not always well known at the CO level. Effective channels of dissemination of this work to COs, and especially to RRs, would facilitate the UNDP moving upstream in the policy process.

UNDP staff in Headquarters and the COs frequently point out that the agency was deeply involved in PRSP-type work long before other international agencies and institutions. However, the full implication of this fact frequently is not drawn: PRSP engagement is the natural extension of the UNDP's past and current work on human development. Indeed, one interpretation of the PRSP process is that the World Bank and the IMF have formalized, under a new name, the long-term approach and development strategy of the UNDP.

The long-term poverty focus of the UNDP has at least two important implications. First, it implies that the UNDP's engagement is not 'new'; it is the same essential work, reorganised under a new rubric. Second, it implies that much of the UNDP's work can be integrated into the PRSP framework without loss of what makes that work unique: assisting participation to facilitate country ownership, using the national HDRs to aid in identifying the multidimensional nature of poverty, applying policy research from Headquarters to give guidance in how growth might be more pro-poor, and combining sectoral expertise and capacity building to help governments develop effective monitoring mechanisms.

#### MAKING PRO-POOR MACROECONOMIC POLICY WORK \_\_\_\_\_

There are some UNDP staff who are not aware of the detailed work done in the UNDP on macroeconomic policy (discussed in more detail under 'pro-poor growth') and structural changes ('reforms'), and they tend to defer to the multilateral agencies in this area. Following from this is a revealed preference for capacity building and other support to focus on social sectors and line ministries rather than on the key macro policymaking units such as Ministries of Finance. The effect of this emphasis on

social sectors can be to leave the UNDP with relatively less engagement with the PRSP-formulating unit of the government than with the line ministries that, at best, provide input into the PRSP.

Experience shows that the UNDP has the expertise at Headquarters to provide support for formulating pro-poor upstream policies on macro policy, trade policy, enterprise reform, and government restructuring. An example of effective UNDP support to Ministries of Finance can be found in Vietnam, where a UNDP project played an important role in supporting the government's ambitious programme of public sector reforms including decentralisation of financial process and monitoring impact of public sector expectations. This type of upstream capacity building, is a good practice that should be generalised.

As a result of the UNDP's work within the framework of the Human Development approach, COs have expertise in poverty reduction that typically exceeds that of any donor or lender. The effectiveness in the application of this expertise to support country policies and national ownership is enhanced by the UNDP's long engagement in countries. Equally, the UNDP's project experience at the local level gives its staff and partners a different insight into poverty issues.

The linkages from the local and central level have yet to be fully developed or, where they are developed, to be fully exploited. With the advent of the PRSP process, poverty reduction policies have to be placed within a specific macroeconomic framework. In principle, this represents an important step forward. In practice, it can mean that poverty reduction strategies are subsumed under the macro framework or are treated as 'add-ons' to that framework. For the UNDP to be effective in its engagement in the PRSP process, it is necessary for COs to have expertise in macro policy and provide capacity building in this area, as well as strengthening analytical and strategic thinking amongst UN staff.

While the macro framework within PRSPs is an area in which the multilaterals have particular expertise and strong institutional interest, the UNDP can provide substantive input in this area. In particular, the UNDP can advocate for the PRSP macro framework to allow for 'fiscal space' to foster pro-poor

expenditure. In several countries, including ones not visited in this study, the UNDP has provided important analysis and capacity building in the area of fiscal policy. This includes work on pro-poor fiscal policy by the Bureau for Development Policy and the Regional Bureau for Latin America and the Caribbean (RBLAC).

#### SUPPORT TO THE PRSP PROCESS \_\_\_\_\_

The UNDP is an organisation with many points of view on social and economic issues. Overall, the latter is a great source of strength for the organisation because it allows for the emergence of new ideas. This absence of an organisational 'line' on issues, such as what constitutes sound macroeconomic policy, the benefits of privatisation, etc., means that one must be cautious with regard to the extent to which Headquarters provides guidance on such issues in the field.

In countries in which the development partnerships are harmonious and the COs are committed to the PRSP process, relatively little direction from Headquarters is required. When there are substantial tensions among the development partners over aspects of the

PRSP process, guidance from Headquarters, including clear and strong support for the COs, would enhance PRSP engagement, as well as foster a sense of ownership and commitment to the process among UNDP staff.

With regard to financial resources, most of the RRs reported that funds were not the principle constraint on their ability to support and influence the PRSP process, although with greater resources, COs could obviously provide more support. There are specific circumstances, arising from country needs and UNDP in-house expertise, that can make funds a binding constraint on CO activities. The method of accessing and mode of disbursement of funds can seriously delay and constrain the ability of COs to respond quickly to the dynamics of the unfolding of the PRSP process. COs enjoying the right of Direct Execution, or organising activities through National Execution and NGO Execution, have a substantial advantage over those whose activities fall under Agency Execution. From the field studies comes the conclusion that there is no doubt that the latter has a negative impact on CO effectiveness. In terms of executing projects, the UNDP is perhaps the most flexible of the UN agencies. The Direct, National, and NGO execution modes contribute to this.<sup>21</sup>

21. This conclusion is in line with the DEX evaluation conducted in 2000, which stated that "...as a way of doing business, DEX presented expanded potential for the direct delivery of services to clients to meet an array of needs...where flexibility, speed of response and delivery are major considerations..."

CHAPTER III

CONCLUSIONS AND RECOMMENDATIONS

POVERTY MONITORING



The MD of September 2000 represents a historic consensus for global action to achieve 8 critical goals, with 18 specific targets for poverty eradication, health, gender equity, environmental sustainability, and for creating the enabling policy framework of an improved trading and financing system. The Monterrey Consensus of March 2002 and the World Summit on Sustainable Development held in Johannesburg in August 2002 further

deepened this global consensus, providing an unprecedented opportunity for sustained progress towards the MDGs. In the context of this global consensus, the PRSP process has emerged as an important national instrument, through which governments in developing countries, in cooperation with civil society and their respective development partners, can formulate and implement national strategies to achieve their respective poverty and human development goals.

## I. The Big Picture

A key conclusion of the evaluation is for UNDP to play a more substantial role, since the PRSP process has the potential to transform the policy making and the partner dialogue process in positive and unprecedented ways. This conclusion applies even to countries in which the process is facing constraints and challenges. In most of the countries reviewed, the PRSP process has generated positive changes in the relationship between the government and the governed, the development community, and partner governments. Based on this experience, the evaluation also concludes that PRSP is a dynamic, developing phenomenon in which the UNDP should engage more fully as a partner.

It can be argued that enhanced UNDP engagement may raise complex questions of added legitimacy, which the PRSP process may not otherwise have. However, this evaluation would like to posit that this higher-order UNDP engagement be guided by both the opportunity to make the PRSP the action plan for the MD and also the opportunity to promote changes in the procedures governing the PRSPs so that their pro-poor potential is fully harnessed. More specifically, UNDP engagement could be guided by the following considerations:

1. If explicitly placed within the framework of the MD, the PRSP process can create a

positive dynamic for development partnerships and, more importantly, poverty reduction efforts. Since the MD is more than MDGs, the current practice (or intention) to mechanically include MDGs as a set of targets or indicators in PRSPs is a somewhat limiting exercise.

2. In procedural terms, at present, PRSPs exist primarily as a condition for World Bank (and to a lesser extent IMF) programmes; as such, they must reviewed by the Executive Boards of these organisations. If PRSPs are to be seen as national policy documents, then clearly the World Bank and IMF Boards should treat them as such and formally endorse or approve only their respective support of them.

If the above is accepted, then the requirement of the present Joint Staff Assessment of the PRSP also has to be rethought. As national policy documents, there is, of course, a legitimate need for national institutions to review and assess progress. For external partners, this raises an important question: What do they do in this case? Do they support the national process or do they conduct their own assessments? A pragmatic approach probably requires both, with important caveats: that the UNDP, as the coordinator of the UN system, be an integral part of the assessment

process; and that external partners desist from conducting separate assessments (to reduce transaction costs and the possibility of mixed messages).

Also under current provisions, progress reports on PRSP implementation are specified as deliverables to the BWI, not to national governments or legislatures or civil society. This priority should be reversed.

3. The following changes in practice should also be considered:
  - a. The nature of the relationship between the BWI and the UNDP should be that of partnership, from which a mutually agreed division of labour derives, not vice-versa.
  - b. Currently, PRSPs tend to be a macro-economic framework from which a poverty reduction strategy derives; this structure should be reversed. The PRSP should be a pro-poor macro-development framework, from which a macroeconomic policy package is a derivative.

The macroeconomic policy package consistent with pro-poor development must have greater

flexibility than its current BWI orientation, including, as a minimum, greater fiscal space and monetary policy that gives priority to medium term growth pro-poor priorities.

The latter condition is of key importance. As discussed earlier, the UNDP, with its long history of human development and pro-poor policy frameworks, is well positioned to provide significant value to the PRSP process. The UNDP work places importance on income and asset redistribution as essential complements to fostering a strong growth performance; reallocation and expansion of public sector revenues to create fiscal space for expenditures that are directly pro-poor; monetary policy that places first priority on enhancing growth, from which the stabilisation goals derive, not vice-versa; and private sector development within a pro-poor framework, rather than the reverse.

There is one final and overriding condition for legitimacy and engagement of all parties to the PRSP process: substantial progress on MDG Eight, which promises a doubling of concessional development assistance. This target, quite modest in absolute terms, represents the litmus test of the commitment of donors and lenders to poverty reduction.

## II. Making PRSPs a Pro-Poor Development Framework

The main conclusions of this evaluation and other reviews provide useful elements that may contribute to evolving a more balanced and practical conceptual framework for the preparation of poverty reduction strategies that can greatly accelerate the pace of progress towards the millennium goal of halving poverty by 2015. The main elements of such a framework may be summarised as follows:

- Clarifying, through careful poverty assessments, the principal causes of poverty and the opportunities and the constraints that would determine the well-being of the poor; and identifying the critical points of intervention that can enhance these opportunities and reduce the constraints;
  - Deepening the national ownership of development policy towards a political consensus between the government and civil society;
  - Broadening the participation of CSOs that represent the poor beyond consultation to include more meaningful participation, particularly in clarifying the causes of poverty and in evolving policies to address them;
  - Harmonising the policy framework for macroeconomic stabilisation with policies required for stimulating growth and investment, and human development and poverty reducing policies and expenditures;
  - Identifying the key points of leverage that will address the economic, social, political, or institutional dimensions of poverty; and
- designing processes and mechanisms to achieve effective implementation of poverty reduction policies, both at the macro and the local level, in a mutually reinforcing process;
- Promoting the social empowerment of the poor through pro-poor organisations and their upgraded capacity to ensure the ownership of the poverty reduction strategy is continuously shared with those for whose benefit the strategy is being implemented, hence the importance of a dynamic human development framework for poverty reduction;
  - Creating monitoring and evaluation mechanisms that will assess the impact of these policies and programmes on the poverty situation and deepen the process by exploring and strengthening linkages between macro policies (top-down processes) and local initiatives (bottom-up processes).

The PRSP process has already stimulated debate and discussion on these aspects of poverty reduction, but as the evaluation points out, not all countries have been able to meet all these requirements and prerequisites. Each country will have to define its own specific approach to poverty reduction according to its own political priorities and local conditions. The international community, including bilateral and multilateral donors, can support the process by showing greater flexibility in its approach to conditionalities and providing additional resources for human development and poverty reduction expenditures.

### III. Specific Recommendations

The primary responsibility for evolving the PRSP process and utilizing it to attain its development goals rests with the countries concerned. If this evaluation provides guidance to the developing countries in this task, one of its main purposes would have been served. But the report also identifies specific areas in which UNDP can strengthen its capacity to respond to requests from programme countries for assistance or support in the PRSP process. The PRSP process is currently undergoing substantial change with practical experience generating new insights and approaches in each country. These recommendations should be read in that context. The recommendations are clustered into three sets: strategic issues, organizational issues, and evaluation issues.

#### STRATEGIC \_\_\_\_\_

**PRSP as the action plan for the MD:** As has been stated earlier, if the MDGs are to be achieved by 2015, there must be a medium-term planning instrument in place to support this goal. It is possible that UNDP, through strategic partnerships, can help transform the PRSP into such an instrument for countries that choose to undertake this. Without pro-poor PRSPs, the MDGs would be difficult to achieve in many countries. To ensure long-term success of the PRSP process, which is essential for poverty reduction, the UNDP (and the UNCT) can assume a major role in influencing the PRSP framework and in supporting the process within the reformed framework, with particular reference to the development strategies for 2015 based on MDGs, in a participatory manner so that MDGs are nationally owned. As mentioned earlier, a joint memo from UNDG and the World Bank has recently been agreed upon that will help in providing the necessary guidance on the respective roles of the UN and the World Bank in providing support to the PRSP and MDGR processes.

**UNDP/UN and the BWI partnership:** UNDP/UN should be seen as a key partner in providing support for the PRSP. ‘Support’ should be interpreted in the broader sense and not merely in financial terms. Delivering on the potential of the PRSPs requires full partner effort—a joint effort of the UNDP, the World Bank, and the IMF in the context of a UN team effort led by the UN RC. Ongoing dialogue at the highest levels may be required to ensure that the implications of full partnership are understood and accepted in the respective organisations. It is also recommended that working-level consultations between the World Bank and UNDP should be revived to enhance the partnership further and to dialogue on issues pertaining to PRSP implementation. Specific memoranda of understanding and related training may be required to further this objective.

As a partner with governments, the UNDP should support the practice of national legislatures approving or at least discussing the PRSP document before it is submitted for review by external actors. Within its strategy of partnerships with other international institutions, the UNDP should ensure that it is the government (on the basis of broad-based participation) that drives the PRSP process.

**UN system coordination:** While the UNDP has institutional and local strengths for engagement in the PRSP process, its core strength lies in the UNCT. This has not been fully exploited. There is often little incentive for some UNCT members to engage in the PRSP process. Understanding of the process and its key elements varies considerably across agencies. As part of its partnership strategy, the UNDP should stress the principle that development strategies should be country driven. The UNDG should support further clarification of the role of the UNCT in the PRSP process and the relationship with the MDGs. At the same time, the agencies themselves require guidance from their headquarters as to the importance of full

engagement in the PRSP.

The UNDP should take the lead in fostering commitment by the other UN agencies to the key outcomes of the PRSP process, especially country ownership. The links between the PRSP and the CCA/UNDAF are not consistently visible. The CCA/UNDAF process should consciously follow the PRSP process and time frames of UNDAF cycles should coincide and harmonise with PRSPs. To the extent possible, CCA and PRSP analyses should be combined, as was the case in Tanzania.

## ORGANIZATIONAL \_\_\_\_\_

**UNDP Headquarters:** The main recommendation of this report is that the UNDP should make the PRSP play a more central role in its country level programming and implementation. It should therefore also play a more central role in its policy development and support activities, conditional upon the developing relationship between the PRSP process and the MD framework of international commitment to eliminating poverty in all its aspects. As a corollary of the main recommendation, the UNDP has the potential to provide critical international input into the PRSP process in many countries because of its comparative analytical and policy strengths and, in rare cases, due to the size of its programme.

**Policy Support:** To focus its PRSP work and successfully reform the PRSP process, UNDP needs clear policy stances on key issues. This could be facilitated by strengthening the current role played by UNDP *Practice Notes*. The publication could provide even more guidance on how COs could place the PRSP at the centre of their operations. For example, the policy note on engagement with civil society could be supplemented with another that addresses the importance of the PRSP as a framework within which this engagement can take place and the UNDP's role in supporting civil society participation in the process. In order to play an effective role in supporting the ownership process, the UNDP will have to develop its own view of the nature and practice of ownership. There appears to be no institutional policy either at Headquarters or in the COs on what national ownership means in practice. While all UNDP activity involves a commitment to national

ownership, outcomes are sought on an *ad hoc* basis. This pragmatism is appropriate to an extent, but asserting leadership requires the UNDP to establish its own guidelines for desired ownership outcomes. These guidelines would be of great practical aid to COs. Specific guidance and help is required on topics such as the issues and measures involved in extending poverty monitoring beyond its current income focus.

Specifically, the UNDP should develop a view on the appropriateness of policy and performance conditionality as part of its efforts to develop national capacity for formulating pro-poor economic and social policies and national systems of monitoring. A step in establishing a clear UNDP position is to stress the distinction between PRSPs being country driven and nationally owned. Economic policies embodied in a PRSP can be 'off the rack' (country owned) without being 'bespoke' (country driven). It is UNDP's position that PRSPs and all development policies should be country driven, in that they are first selected and designed by the government, then nationally owned through a process of participation. Facilitating the first involves the UNDP's long-standing practice of combining capacity building with access to pro-poor policy frameworks. Thus, the UNDP's strength is precisely in ensuring that nationally owned policies are also country driven.

**Experience sharing and support:** Concrete steps should be taken to strengthen mechanisms for the sharing of experience among COs. One step would be to initiate regular PRSP briefing papers for UNCTs. Key reforms in the PRSP process would facilitate national ownership. Headquarters could advocate these, which would include: a) parliamentary approval of PRSPs; b) directing PRSP progress reports to the national audience, in addition to donors and lenders; c) joint evaluations of PRSPs to eliminate the current proliferation of donor and lender missions; and d) government and national ownership of PRSP evaluations. Another essential step to effective CO engagement in the PRSP process is political support to RRs when tensions arise within development partnerships.

**Strengthening technical capacities:** To anchor the proposed role for the UNDP in the PRSP process, the UNDP has to substantially upgrade its technical capacities to backstop its engagement in the PRSP process. Specifically, this will have a major impact

on the work of the UNDP's Bureau for Development Policy (BDP) and the Sub Regional Facilities (SURFs), which are understaffed, as expectations of the UNDP's role increase. For instance, there is only one poverty specialist in the SURF in Nepal, covering the entire Asia and Pacific region (although there are other specialists looking at poverty concerns from the perspective of gender and governance). While some progress has been made by the UNDP in developing knowledge networks, well-structured relationships, especially with regional and national policy institutes, could be strengthened to enable privileged access to quality expertise and thinking. Further, a good case can be made for stronger partnerships between regional bureaus and BDP along the lines of the recent BDP/RBAP collaboration on country studies.

**Country offices:** UNDP COs are stakeholders in the PRSP process, and like governments, civil society, and other donors and lenders, should feel ownership. COs should view the PRSP as a process in which they are deeply involved and whose outcome will be partly determined by their engagement. In many COs, and among some staff in Headquarters, there is insufficient appreciation of the importance of the Human Development approach to the analysis of poverty and formulating policies for poverty reduction. The effect of the analytical work done by policy units in New York and in some COs is seriously weakened by the absence of close and purposeful coordination of some of this work with the PRSP process and the campaign for the MDGs.

Familiarising staff in COs with pro-poor policies, especially pro-poor macroeconomic policies, is a pre-condition to the UNDP's efforts in capacity building to foster homegrown, country-owned development strategies. Especially in the COs, but also in Headquarters, the transition to the new UNDP focus on proactive, 'upstream' policy engagement requires far more intensive and concerted work.

While UNDP country office staff are, with few exceptions, dedicated and well trained in their specialties, PRSP work requires application of particular expertise that is absent or over-burdened in most countries. While a review of the technical and administrative skills required by COs to play a more effective role in the PRSP process may be helpful, some

specific proposals can still be made. First, in PRSP countries, at a minimum, UNDP COs should have resident Senior Economists/Policy Analysts who are well versed in human development thinking with strong policy backgrounds. To facilitate or contribute to the content discussion of PRSP as an equal partner, the COs' substantive expertise available in the office is critical to advocate pro-poor policies and issues of human poverty. The example of Vietnam is instructive in this context and illustrates clearly why the development community should take the UNDP seriously. At present, there are 22 such positions in the Africa region, 3 in the Asia and the Pacific region, 1 in Europe and the CIS region, and none in the Latin American and Caribbean and Arab States regions. Second, these CO capacities have to receive strong technical support from the SURFs and UNDP Headquarters as stated above. Third, Headquarters and each CO should consider reorganising the work of a CO to make it more relevant to the PRSP framework. This would facilitate making the PRSP a catalyst that facilitates the country programme.

**The 'evaluability' of PRSPs:** The success of PRSPs depends in part on being able to credibly measure and assess progress in relation to the intended outcomes. This requires clear benchmarks and performance criteria so that credible and value adding evaluation and performance assessment is possible. It is, of course, accepted that each country government requires an in-country capacity to monitor the progress of PRSPs. At the same time, the broader intent of the PRSPs will not be met without the existence of independent evaluative capacities in civil society. To this end, efforts on evaluation capacity development should become an integral part of the assistance provided by external agencies on PRSPs. These efforts should include the involvement of the International Development Evaluation Association (IDEAS) launched by the World Bank and UNDP late last year. Set up as a voluntary association, IDEAS is a key effort to strengthen evaluative capacities in the developing world at national and regional levels so that assessment of development performance becomes homegrown and a shared task. It is designed to promote transparency and accountability. This resource should be tapped by COs.

ANNEXES

# POVERTY MONITORING

# Annex 1: Terms of Reference (June 2002)

## EVALUATION OF UNDP'S ENGAGEMENT IN POVERTY REDUCTION STRATEGY PAPER (PRSP) PROCESSES

### CONTEXT AND BACKGROUND \_\_\_\_\_

The scale of the challenge to reduce poverty is daunting. In the next 25 years, the world's population is projected to grow by approximately two billion people, most of whom will be born in developing and emerging economies. The Millennium Development Goals (MDGs), adopted by Heads of State in September 2000, comprise ambitious targets, beginning with halving, by 2015, the proportion of people in extreme poverty and hunger worldwide. The Monterrey Consensus (adopted in Mexico in March 2002) includes the UN's MDGs, reflecting a renewed commitment by nations to provide the means to address poverty worldwide.

In view of the global deterioration of poverty and inequality, the International Financial Institutions decided to combine debt relief with heightened poverty impact. In December 2000, the Boards of the World Bank and the International Monetary Fund (IMF) approved the *Poverty Reduction Strategy Paper* (PRSP), as a new partnership based approach to the challenge of reducing poverty in low income countries. Following its mandate to integrate the objectives of poverty reduction and growth more fully into its operations in its poorest member countries, the IMF established the Poverty Reduction and Growth Facility (PRGF), replacing the Enhanced Structural Adjustment Facility. Nationally owned poverty reduction strategies are to be at the heart of the new approach. Programmes supported by the PRGF (and the World Bank's concessional window—International Development Association [IDA]) must be framed around a comprehensive, nationally owned PRSP prepared by the

borrowing country. The PRSP is then endorsed in their respective areas of responsibility by the Boards of the IMF and World Bank as the basis for the institutions' concessional loans and for relief under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative. The PRSP approach also stresses the underlying principle that national poverty strategies should foster domestic and external partnerships that improve the effectiveness of development assistance.

The declared objective of the PRSP is to promote poverty-reduction strategies that are country-driven, results-oriented, comprehensive, prioritised, partnership based and framed within a long-term perspective. Other major features of the PRSP are that it should be an analytical framework, integrating macroeconomic, structural, sectoral and social considerations; it should lay out a set of poverty reduction measures and policies; and it should span an initial three-year time frame. Twelve countries have so far completed PRSPs—seven in Africa, four in Latin America and the Caribbean Region and one amongst CIS countries. Thirty-four countries are at the stage of having formulated or are formulating an Interim-PRSP.

Given its mandate and comparative advantages, UNDP expects to play a major role in maximizing the potential of PRSPs to contribute to poverty reduction. UNDP's support to poverty reduction strategies commenced well before the 1995 World Summit for Social Development. A review undertaken by UNDP Bureau of Development Policy in 2001 detailed its support over the years to poverty reduction strategies, in terms of design, implementation and monitoring of such strategies in some 60 countries. UNDP's convening power and aid coordination role, its multisectoral approach, and its country presence are recognized as significant to secure country-level ownership of the PRSP and country-level monitoring of the MDGs. It is understood however that though the



MDGs are the goal posts that countries agreed to reach by a certain date, each country's path towards achieving the MDGs will be different.

The lead role of the UN in monitoring the MDGs and the role of the Bretton Woods Institutions in leading the PRSP process are complementary. The UN Development Group issued two Guidance Notes to the UN Country Teams on Reporting on the MDG at country level (October 2001) and on the PRSP (November 2001). The Guidance Note on PRSP outlines ways UN Country Teams can support countries through the UN Development Assistance Framework (UNDAF), making it a key business instrument for the UN to ensure the country team's cohesion behind the national development strategy. The Common Country Assessment (CCA) and UNDAF guidelines were recently revised (May 2002) to take account of the MDGs, linkages with the PRSP, and to reflect other recent developments. UNDP Headquarters recently issued its own guidance or Policy Note on engagement at country level in PRSPs (March 2002). The Note underscores two principles of its engagement: the first, engaging at the behest of governments and national partners in civil society; and the second, helping to elaborate real choices, and where appropriate, alternative views and analyses, based on criteria of *equity and human development*. It outlines UNDP's potential contributions in helping to define both the PRSP process and its contents. The UNDP Administrator recently stated his belief that the PRSP process would be the structure for synthesizing poverty strategy and macro-economic policy in the overwhelming majority of the poorest countries.

The PRSP approach has gained support amongst members of the donor community who intend to align their programming with the country's national strategy. Civil society organizations are utilizing the opportunity to make their views known and engage in the PRSP process, in some cases for the first time.

In January 2002, the World Bank and IMF undertook a review of the PRSP process. It was preceded by a number of regional meetings on national PRSPs during 2001, in which UNDP was a key collaborator. The review found that progress had been made in the area of strengthening country ownership;

that there was a more open policy dialogue within government and across parts of civil society; that a more central role had been given to poverty reduction in policy discussions, including in macroeconomic and structural policies; and that there was acceptance by major donors of the principles of the PRSP approach (UNDP is cited as an example amongst the major UN organizations), heralding the possibility of stronger partnerships with countries and improved donor coordination. The review also pointed to the need for improving the PRSP process, i.e. on PRSP participatory processes. The review notes that the "open and participatory nature of the PRSP approach is regarded by many as its defining characteristic and its most significant achievement". It highlights, however, the limited role so far of parliaments in the preparation, approval, and monitoring of country strategies; the lack of involvement of specific civil society groups (e.g. women's groups, private sector, and direct representatives of the poor); and the need for stronger partnerships between donors and countries.

#### JUSTIFICATION FOR THE EVALUATION \_\_\_\_\_

The PRSP has increasingly become the expression of a country's national development strategy in terms of its poverty reduction objectives. Programme countries have been receiving UNDP's support and continue to seek its active engagement in the preparatory and implementation processes. The PRSP approach represents an area of strategic importance to UNDP and a core priority for one of its key global practices—poverty reduction for human development. In the 2001 *Results Oriented Annual Report* (ROAR), it has been reported that UNDP COs in 42 countries were involved in PRSP processes, an increase from 24 in 2000 and 11 in 1999.

The major justification for an evaluation to take place at this time is as follows:

- The implementation of the PRSP approach is moving into its third year. Results achieved in those countries that formulated a PRSP early on need to be identified, and experiences and lessons shared with other countries. Findings from

the January 2002 World Bank/IMF Review mentioned above will be a valuable contribution to UNDP's efforts in assessing the results of its support to the implementation of the PRSP approach.

- The Millennium Summit took place almost two years ago. The extent to which UNDP's support has helped PRSP countries to make progress in translating the goal of halving extreme poverty into national poverty reduction strategies should be assessed to know if PRSPs are actually targeting the right areas.
- Poverty is rising rapidly in Europe and Central Asia, and continuing to rise in Sub-Saharan Africa. In Asia, where most of the world's poor are found, the proportion living in poverty has declined dramatically over the past two decades, but progress is slow. Four in ten households (over 500 million people) still remain poor in South Asia. The policy choices being made by countries to address poverty are amongst the key factors in efforts to reduce poverty. UNDP's role and potential contributions in encouraging a pro-poor focus in these policies, emphasizing human development concerns and other key assets that favour the poor, as well as policies that enhance empowerment, need to be assessed.
- UNDP's draft 2001 ROAR highlights the fact that of 85 countries where UNDP is supporting poverty reduction strategies, only 13 specifically targeted macroeconomic policy options. The link between the macroeconomic framework and poverty reduction is vital if the impact of PRSPs on poverty is to be maximized. UNDP's potential role in helping to make this link needs to be identified.

Other contextual issues that should be kept in mind during this evaluation are those external factors that have affected governments' performance in reducing poverty including the global economic situation, particularly low commodity prices, which have made it more difficult for PRSP countries to reach performance targets set out in their poverty reduction plans; the AIDS crisis and its devastating impact on development efforts in developing countries, especially in Africa; and conflict situations. A number of

countries that are formulating PRSPs are either still engaged in or have just emerged from conflict. The extent to which UNDP, with other partners, is assisting countries in developing realistic plans and achievable targets to ensure PRSPs are addressing the impact of the AIDS crisis on poverty and that national efforts to mainstream peace building and conflict prevention are included in PRSPs, should be assessed. Further, UNDP has contributed to the work on engendering PRSPs in several countries often in partnership with UNIFEM. The 2001 ROAR notes the inclusion of the gender dimension in the PRSP formulation process, but points out the need to integrate gender analysis much more systematically and purposefully in UNDP's support for poverty reduction. UNDP's potential role in this area should be assessed.

This evaluation is one of three thematic evaluations on poverty to be undertaken by the Evaluation Office in 2002. The other two will address micro-macro linkages for poverty alleviation and governance-poverty linkages. Though they are being conducted as three separate exercises, it is expected that the combined results of all three evaluations will not only provide UNDP with a basis for reflecting on the efficacy of its strategy for poverty reduction for human development (in all its varied dimensions) and recommend how it can utilize its resources for maximum results in the three focus areas, but also that it will help UNDP realize its potential role and maximize its comparative advantages, so that it strategically positions itself to support national and global targets to reduce poverty in the coming decade.

#### PURPOSE OF THE EVALUATION \_\_\_\_\_

UNDP has played and continues to play different roles in PRSP countries depending on the context and the situation in which it finds itself. The findings of this evaluation are expected to assist UNDP in positioning itself for a more effective role and for impactful contributions to the PRSP processes, with a view to learning lessons for its future engagement.

The purpose of the evaluation is to provide evaluative evidence on UNDP's role

in the achievement of the following key PRSP outcomes:

- Increased country ownership of the PRSP preparation process
- Broad-based participation by civil society and the private sector in the process
- PRSPs reflect increased commitment to 'pro-poor' growth
- Partnerships built between development actors
- Coherence promoted between PRSPs and other longer term national planning instruments
- PRSPs address the multidimensional nature of poverty
- Poverty monitoring capacity built at national and local levels

The evaluation will focus on the following categories of analysis:

- Identify results or progress made
- Identify UNDP's strengths and constraints
- Highlight good practices and what works or does not work
- Draw lessons and promote their application to policy and practice relating to future UNDP poverty reduction initiatives
- Promote a cross-fertilization of experiences across regions

#### SCOPE OF THE EVALUATION \_\_\_\_\_

The evaluation will address the following issues and its findings and recommendations will focus mainly on assessing, within the overall context of UNDP's poverty reduction initiatives, its contributions to, its comparative advantage and potential role in the following key areas:

- Engagement in pro-poor policy deliberations influencing the content of PRSPs
- Engagement in PRSP preparation process and involvement of partners including civil society
- Support to implementation and monitoring of PRSPs

The evaluation will more specifically seek to answer the following questions in relation to the seven key outcomes cited above *vis-à-vis* its own role and contributions towards the achievement of the key outcomes:

#### **National ownership and responsibility:**

- How have countries (government, national institutions) reflected ownership of the PRSP?
- Is there commitment to the PRSP process by countries and to what extent does it reflect homegrown development strategies that have a long-term perspective, or is it essentially a balance of payment financing strategy?
- Are domestic resources aligned with the national strategy in terms of budgeting and restructuring of social services?
- What role is UNDP playing to move the PRSP financing strategy to poverty reduction strategies?

#### **Participation:**

- How can UNDP increase its effectiveness in facilitating broad-based participation in PRSP processes, especially by civil society, the private sector and parliaments?

#### **Results:**

- What can UNDP learn from those countries that have completed full PRSPs? Are they on track, and if not, why not? What results are there in terms of poverty reduction?
- What were the contributing factors for positive results and if the results were poor what were the causes?
- How implementable are PRSP targets and how consistent are they with the MDGs?

#### **Pro-poor commitments:**

- Do the PRSPs reflect commitment to pro-poor growth by countries in the policies being adopted by countries?
- To what extent has UNDP's past support to strategies, policies and programmes for poverty reduction for human development been taken into account in the PRSP process?
- How does UNDP engage in PRSPs and what is its role and contribution to the process? Is it a meaningful role or not? What is UNDP's value-added?

#### **Partnerships:**

- How effective is UNDP's partnership strategy in influencing both the PRSP content and its preparatory process in contributing to the achievement of key PRSP outcomes?
- How has it coordinated support with that of the donors?

- How does the government view UNDP's partnering role and its support to them?

#### **Coordination of UN system's response to poverty reduction:**

- How has UNDP utilized its lead role as manager and funder of the UN RC system to coordinate the UN systems' response to poverty (e.g. through Theme Groups)? How has it enabled UN agencies to actively engage in supporting the PRSP process?
- Is there consistency with MDGs in PRSPs and what are the linkages between PRSPs and CCA and UNDAF, particularly with regard to issues of rights and equity?

#### **UNDP programme support strategy:**

- What lessons can be learnt about the appropriateness of UNDP support (HQ and SURF) to COs in terms of guidance, timely policy advice, seed money and other appropriate support relevant to this practice area?
- How has the recent upstream movement of UNDP's operations and delivery of policy-related services at country level led to the enhancement of competencies and capacities of staff to provide strategic support to countries in the formulation and implementation of the PRSP approach? What lessons have COs learnt about how they can improve their effectiveness and contribute to the achievement of results in this area?

#### PROCESS AND METHODOLOGY \_\_\_\_\_

A desk review will be made of all countries, and a limited number of team visits will be made to seven countries to validate issues and to hold discussions with key stakeholders. The use of triangulation methods—documentation, perception and validation—will be employed in the preparation of country papers at national level. The evaluation will be carried out as follows:

**Phase 1: Headquarters based.** Desk analysis of PRSP/I-PRSP countries; consultations with Bureaus and concerned staff, UNDG, World Bank (Washington), UNICEF and UNFPA; drafting of Terms of Reference

for the evaluation. Selection and recruitment of four external evaluators including the Team Leader by EO. Review of draft TOR by Senior UNDP Management, External Advisory Panel, SMT/ET, an internal Reference Group (composed of staff at HQ, country and sub-regional levels), UN agencies and other concerned partners. EO consultations with Team Leader at UNDP HQ on TOR and detailed framework for the evaluation including evaluation matrix for each country. Development and review of detailed methodology paper for the evaluation. Identification of national consultants by respective COs; selection and recruitment of national consultants by EO. National consultants will prepare Country Papers and will be part of the evaluation team in-country.

**Phase 2: Country visits and country case studies preparation.** Prior to country visits, team orientation in NY with team leader and EO including brief orientation on outcome evaluation methodology. Review of documentation and desk review. Visits to seven selected countries will be undertaken by the evaluators to evaluate UNDP's role *vis-à-vis* the PRSP outcomes. Visits will involve meetings, interviews, surveys, and focus group discussions with stakeholders. Team members will divide the country visits between themselves. The countries selected will reflect a mix of criteria—completion of a full PRSP, I-PRSP completed and PRSP under preparation, high HIV adult prevalence rate, emerging from conflict, a SURF is based in the vicinity, examples of partnerships in action, interesting process and examples of high and low engagement of UNDP as identified by UNDP Regional Bureaus.

**Country Case Studies:** National institutions/consultants will prepare country reports.

**Phase 3: Presentation and review of preliminary draft report and findings.** Review by EO and External Advisory Panel; review by UNDP and relevant stakeholders.

**Phase 4: Finalization of report and debriefing** of relevant stakeholders in a regional lessons learning workshop

**Phase 5: Promoting their application** to

policy and practice relating to future UNDP poverty reduction initiatives in 2003 and beyond through dissemination of findings via media outlets and pertinent products and incorporation of lessons learned in different fora including electronic learning platforms

#### PRODUCTS EXPECTED FROM THE EVALUATION \_\_\_\_\_

The evaluation products will consist of the following:

- A main evaluation report of not more than 25 pages (12 point font) with an executive summary, which will include the results of seven country visits, forward-looking recommendations for formulating support towards the outcomes with proposed strategies for future UNDP assistance towards achieving the outcomes, lessons learned, and good practices
- A summarized analysis and assessment of the results of the questionnaire to all PRSP/I-PRSP countries, as an annex to the Main Report
- Seven separate country reports which describe the PRSP process, UNDP's contributions and its potential role

#### COMPOSITION OF THE EVALUATION TEAM \_\_\_\_\_

The Evaluation Team will consist of four international evaluators including the Team Leader and a national consultant from each of the countries to be visited, who will join the team during the respective country visits.

#### EXTERNAL ADVISORY PANEL AND INTERNAL REFERENCE GROUP \_\_\_\_\_

As part of the consultative process in undertaking such an evaluation, an external advisory panel (composed of well known development thinkers, academics and practitioners), and an internal reference group (experienced colleagues in COs, SURFs and HQ, taking into account their interest and background) will be established. They will be consulted on draft TORs, and on the findings of the draft evaluation report. Their inputs and comments will enrich the process and enhance understanding of the issues amongst a wide audience.

#### TIMETABLE \_\_\_\_\_

Phase 1 will be undertaken between March and August, 2002, phase 2 will begin in September and phase 3 in December. An initial draft synthesis report is expected to be completed for review in December, 2002.

# Annex 2: The Evaluation Approach

## COUNTRY VISITS \_\_\_\_\_

Seven countries were identified for case studies by UNDP EO in consultation with the regional bureaux. EO selected national consultants for each country study in consultation with the relevant CO and the international evaluation team, who served as members of the evaluation team in-country. The national consultants prepared background documents including a chronology of the PRSP process in each of the seven countries, country-specific bibliographies of primary and secondary documentation, a summary of the PRSP process from the beginning, including activities of UNDP. The major PRSP-related issues that the country visit should investigate were also identified. The mission to the seven countries took place during October and November 2002.

## DESK REVIEW AND OTHER SOURCES \_\_\_\_\_

The evaluation team undertook a desk review of relevant documentation from UNDP, UNDG and partner organisations involved in the PRSP process including the World Bank and IMF. In addition each member undertook a desk review of the relevant documentation related to the countries he/she was to visit as part of the evaluation. The desk review process was supported by three efforts. First, a research assistant in the EO prepared a background paper on the origins of the PRSP process. Second, a

research assistant at CDPR prepared an annotated bibliography on PRSPs and collected all relevant documentation. Third, a Web site was also established in NY for use of the EO and the evaluation team.

## REVIEW AND CONSULTATIONS \_\_\_\_\_

The evaluation process involved a series of consultations by the evaluation team with senior management and staff of UNDP in New York and staff at the World Bank and IMF in Washington. Key elements of this process included: (a) travel by the evaluation team to UNDP New York in September 2002 to meet with the senior management of the UNDP EO, the EO Task Manager and other key members of UNDP HQ staff to discuss the evaluation, review documentation and methodology; (b) following country visits, a brief report on Preliminary Findings was prepared in early-December for a consultation at a joint meeting of UNDP, IMF and the World Bank held in Washington together with staff from the three organizations (December 2002). In addition, the evaluation team leader made additional trips to New York to hold discussions with EO and other key staff at different stages of the evaluation. A meeting of the External Advisory Panel was organized in April 2003 to review the main findings and recommendations. Meetings were also held with UNDP stakeholders, and with UNDP senior management on the draft report (May 2003).

# Annex 3: List of People Consulted

This list does not include persons met by evaluation team members in the field during country visits as these are contained in the seven country reports. (See *Evaluation of UNDP's Role in the PRSP Process, Volume II: Country Reports*, UNDP, 2003.)

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Mr. Abdoulaye Mar Dieye, Country  
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## **Regional Bureau for Asia and the Pacific (RBAP)**

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Mr. Stefan Vassilev, Senior Programme  
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Mr. Norimasa Shimomura, Programme Manager  
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 Office of the Chief Economist  
 Ms. Marlaine Lockheed, Manager  
 Evaluations, World Bank Institute  
 Mr. Asad Alam, ECA Region



## Annex 4: Selected List of Documents

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# Annex 5: Country Case Study

Country	UN Country Team		MDG Report	PRSP Status		World Bank Borrowing	IMF Borrowing	HIPC Status
	CCA	UNDAF		I-PRSP	PRSP			
1	2	3	4	5	6	7	8	9
Azerbaijan	Sept 2001 Jul 2003	Planned Dec 2003	mid-2003	May 2001	Dec 2002	IDA/IBRD	PRGF	—
Bolivia	Jun 2000	Mar 2002	Mar 2002	Jan 2000	Mar 2001	IDA/IBRD	None	
Ethiopia	Sept 1999	Oct 2001	Apr 2002	Nov 2000	Oct 2002	IDA	PRGF	
Mali	Sept 1998 Mar 2002	Sept 1998 Mar 2002	Planned	Jul 2000	Feb 2003	IDA	PRGF	
Pakistan	early 2003	Planned 2003	Planned	Apr 2003	Planned July 2003	IDA/IBRD	PRGF	—
Tanzania	May 2000	Feb 2001	Feb 2001	Mar 2000	Oct 2000	IDA	PRGF	
Vietnam	Dec 1999	Jun 2000	Jul 2002	May 2001	Jun 2002	IDA	PRGF	

Notes: 5 and 6: Dates on PRSP status obtained from the World Bank Web site and communication with UNDP COs. PRSP/I-PRSP status as of 3 April 2003. 9: HIPC status as of 3 April 2003. Source: UNDGO, World Bank, and IMF

# Annex 6: Summaries from the Seven Country Reports

This annex briefly describes the evaluation process in each country, the country context, development assistance and the UN country team, and the PRSP process. Findings, lessons learned and recommendations for each country are found in the country reports, published separately from the Main Report.

## AZERBAIJAN COUNTRY REPORT \_\_\_\_\_

**The Evaluation:** The Azerbaijan Country Study mission took place between 27 October and 7 November 2002 and was undertaken by Michael Reynolds (CDPR) and Emil Aliyev (National Consultant). Key documents including the newly launched PRSP were examined and meetings were held with a range of key stakeholders and participants in the PRSP process. In addition, a field trip was made to the Nakchevan Autonomous Republic.

**Context:** Azerbaijan regained independence following the collapse of the Soviet Union in late 1991 during the middle of a war with neighbouring Armenia over the territory of Nagorny Karabakh (an enclave in the territory of Azerbaijan) that was to last until a cease-fire was reached in 1994. Approximately 20% of the country (Nagorny Karabakh and seven contiguous regions) is still occupied by Armenian forces and the country has approximately one million Azerbaijani internally displaced persons (IDPs) together with refugees from Armenia and other conflicts in the region. Since 1995, the performance of Azerbaijan in achieving macroeconomic stability and resumption of growth had been impressive. The main challenge now facing the government is to translate economic growth into sustainable poverty reduction. It is estimated that 49% of the population is living in poverty and 17% in extreme poverty. Since independence social indicators have deteriorated, partly because

of the large number of displaced people.

**Development Assistance and the UN Country Team:** Compared to many other CIS countries, aid intensity in Azerbaijan is low at less than 3% of GDP (2000). The number of international players is also very small with only Germany and the USA large among the bilateral donors. Within the UNCT, UNDP, UNICEF and UNFPA are the three resident development agencies. A UN Common Country Assessment (CCA) was prepared in 2001 but not widely distributed or approved by the government. A new CCA will be produced by 2003 and a UN Development Assistance Framework (UNDAF) will be in place in 2004. In the meantime a joint Memorandum of Understanding has been signed among UN agencies for the joint implementation of activities including fund raising for projects.

**The PRSP Process:** In Azerbaijan the process of preparing the PRSP began in March 2001 and was completed in June 2001. In July 2001, the government launched the process of preparing the full-PRSP, to be known as the State Programme of Poverty Reduction and Economic Development (SPPRED). To this end, 15 sectoral working groups (SWG) were formed by the newly created Ministry of Economic Development (MED) and a PRSP Secretariat was established in the MED to support the process. Each SWG, composed of members of different government agencies and NGOs, was responsible for developing sectoral strategy notes (SSNs), which ultimately would feed into the SPPRED. Implementation of a participation action plan was carried out by the PRSP Secretariat with multi-donor support involving a Public Education and Outreach Program and Town Hall Meetings. The PRSP was launched on 25 October 2002 at a conference attended by the President, members of the government, the donor community, international financial institutions, international and national NGOs, and the private sector.

**The Evaluation:** The mission took place during 4-16 November, carried out by John Weeks (CDPR) and Oscar Garcia (ProActiva). Key documents were examined and meetings were held with a range of key stakeholders and participants in the PRSP process.

**Country Context:** Bolivia is one of two land-locked countries in South America. It has a population of 8.3 million inhabiting one million square kilometres. The official language is Spanish. The country has important cultural and ethnic diversity (37 groups and 10 linguistic families). The constitution establishes that Bolivia is multi-cultural and ethnically diverse. The political system is now democratic, after a period of military dictatorship up to 1981.

Poverty is accompanied by profound inequality between rural and urban areas, and between rich and poor in all areas. Poverty affects more than 50% of urban households, and in rural areas the estimate is greater than 90%. Income distribution in urban areas is extremely unequal, with a Gini coefficient of 52.5 in 1990 (WIDER database 2000). Since 1985, when structural adjustment policies were introduced, inequality has increased, and there is agreement that the most vulnerable sectors of society have borne the cost of adjustment. Policies adopted to mitigate the social consequences of the adjustments have had limited effect.

Macroeconomic stability was achieved during the 1990s, followed by a growth rate of 4% and inflation less than 5%. This growth rate is not enough to deal with the country's development challenges. Since 1999, Bolivia has suffered from an economic crisis, arising from external shocks. The economic growth rate fell to an annual average of 1.3%, associated with a substantial increase in the unemployment, aggravating socioeconomic inequity.

**Development Assistance and the UN Country Team:** Bolivia is the second largest recipient of Official Development Assistance (ODA) in the LAC region, averaging close to US\$ 80 per capita over the past decade, US\$ 498 million in 1989 (11% of GDP) to 569 million in 1999 (6.8%, see World Bank 2001, based on OECD/DAC). ODA peaked in the mid-1990s and dropped gradually to

the level of the previous decade. Technical Cooperation Flows during the past decade can be broken down into three distinct periods: so-called first-generation reforms (1985-1992), second-generation reforms (1993-1997), and HIPC-II reform assistance (1997-present). Each period had a distinct pattern of ODA flows and capacity development.

A large number of donors and lenders and UN agencies operate in the country. Limited progress has been made on coordinating external assistance. The UNDP office is highly active. Among other contributions to Bolivia's development policy, its two NHDRs have been extremely influential. The UNCT completed a CCA in June 2000, and the last UNDAF in March 2002, coinciding with an MDGR. The I-PRSP was published in January 2000, and the PRSP in June 2001, the latter after a process of broad-based participation.

**The PRSP Process:** The PRSP process followed directly from the HIPC process, based upon the broad-based National Dialogue of 2000. The central government, supported by experts from national institutions and international organizations, produced a PRSP document, with the inputs from the Dialogues. The objective of the PRSP is to reduce poverty through economic and social policies, focusing on the poorest, for whom the strategy seeks to facilitate a better access to markets, provide basic social services, increase their social protection, and promote the equality of opportunity.

The four strategic components that define the needed actions to fight poverty are: 1) increased wages and employment opportunities, favouring the productive capacity of small urban agricultural producers; 2) promoting rural development through larger investments in productive and trading infrastructure; 3) fostering primary education and preventive health services; 4) an increase in security for poor people, protecting the most vulnerable population (children, elderly, and populations affected by natural disasters); and 5) the promotion of social integration, encouraging social participation in order to increase both popular participation and decentralization.

The strategy also states the intent to achieve equity in favour of ethnic groups and native populations, for equity across genders, and for the sustainable use of natural resources. The goals identified in the PRSP are: 1) a decrease the incidence of poverty in

at least 22 percentile points (from 63 to 41%); 2) a reduction in extreme poverty from 37 to 17%; 3) an increase in life expectation from 62 to 69 years; and 4) an increase in the percentage of the population with eight or more school years from 51 to 67%.

## ETHIOPIA COUNTRY REPORT \_\_\_\_\_

**The Evaluation:** The Ethiopia Country Study mission took place during 11-18 October 2002 and was undertaken by Alemayehu Geda (SOAS/CDPR) and Getahun Tafesse (National Consultant). Key documents including the newly launched PRSP were examined and meetings were held with a range of key stakeholders and participants in the PRSP process.

**Country Context:** Ethiopia is in Eastern Africa, in the region commonly called the Horn of Africa. It has a population of about 65 million (2002), with the majority (more than 85%) residing in rural areas. It is the second most populous country in Africa. Ethiopia is a potentially rich country with considerable natural resources although little has been exploited and the country remains extremely vulnerable to the vagaries of nature and external shocks. In 1974, the last emperor was deposed by a military junta, which then ruled the country from 1974 to 1991. During this time the military government experimented with the Soviet-style central planning for almost two decades, and markets and the private sectors were suppressed. At the same time the economy collapsed; growth plummeted and civil war led to the fall of the regime in 1991. The military regime was toppled by a loose coalition of rebel forces under their umbrella organization, the Ethiopian People Revolutionary Democratic Front (EPRDF). The EPRDF adopted a multiparty system, at least in principle, and reorganized the previous administrative regions under a federal system. The federal states were formed on an ethno-linguistic basis and the country renamed the Federal Democratic Republic of Ethiopia (FDRE). In 1992, the EPRDF also accepted World Bank/IMF Structural Adjustment Programmes (SAPs). Economic growth performance in the last decade was quite strong and was accompanied by a stable price level. Because

of the structure of the economy, growth performance is largely determined by the performance of the agricultural sector. The country has a large poor population which, if it cannot be productively employed, could be a threat to the social fabric. The degree to which economic growth affected poverty was counteracted by a rise in income inequality.

**Development Assistance and the UN Country Team:** With an average investment to GDP ratio of about 17% in the 1990s, and with a domestic saving to GDP ratio of about 7% during the same period, Ethiopia has an average resource gap of about 10% of GDP. With such a large resource gap, the country has little choice but to depend on foreign finance. It is estimated that external assistance over the last decade constituted about an average of 77% of capital accumulation, and approximately 25% of the recurrent budget of the government. This clearly shows the extreme dependence of the country on donor support and hence the significance of new aid-delivery mechanisms (or partnership frameworks) such as the PRSP. This is the context in which the discussion of the PRSP process in subsequent sections should be understood.

**The PRSP Process:** The PRSP process in Ethiopia began with the establishment of a technical committee to draft the interim PRSP around May 2000. The committee comprised representatives from selected government ministries, regional governments, and parliament. Following the completion of the I-PRSP the government prepared the detailed 'Plan of Action for the Formulation of the PRSP', which was launched in July 2001. The preparation of the PRSP includes consultation at *wereda* (district), regional, and federal levels together with consultations with the Development Assistance Group (DAG) of donors. The PRSP Federal Level Consultations (FLC) held in the capital in March 2002 represented the culmination of the participation process, and met the objective of the Government Plan of Action (final phase) for the PRSP consultation process. Building on the *wereda* and Regional Level Consultations, the key objective of the FLC was to shift the poverty focus towards the national level and ensure a policy focus. The forum facilitated a broad-based stakeholder representation, including participants from regional and federal levels, NGOs,

private sector, academic and research institutes, and religious bodies. The FLC led to the preparation of the full PRSP (named Sustainable Development and Poverty Reduction Program, SDPRP) in July 2002. This document was endorsed by the Bank and Fund in September 2002.

## MALI COUNTRY REPORT \_\_\_\_\_

**The Evaluation:** The mission took place between 28 October and 8 November, by Zenebeworke Tadesse (FSS/CDPR) Carlos Oya (CDPR) and Hamidou Magassa (National Consultant).

**Country Context:** Mali has a population of 12 million people inhabiting an area of 1.2 million square kilometres (8.2 inhabitants per square kilometre) and is one of the largest land-locked countries in the Sahel. The country became independent in 1960 and was ruled by a civilian and socialist government. The economic trends in the second half of the 1990s have been rather positive, as GDP growth rates have consistently hovered around 5 to 7% per annum. The socioeconomic situation appears dismal Mali is one of the poorest countries of the world with extremely low human development indicators (ranked 164 out of 174 countries in HDR 2002). The incidence of poverty is high, hovering around 60 to 70%, depending on the statistical sources and the indicators used for poverty. According to the human poverty index, over 70% of the population live below the international threshold of US\$ 1 per day, 1993 PPP, and 47% live in human poverty.

**Development Assistance and the UN Country Team:** The importance of development assistance in Mali cannot be exaggerated both in macroeconomic terms and in terms of the impact on government intervention and actions at the local level.

**The PRSP Process:** The Government of Mali embarked on the preparation of a poverty reduction strategy before the PRSP process was approved by the IFIs in December 1999. Despite these national efforts and donor endorsement, the SNLP was not immediately accepted by the IFIs as a valid strategy to allow Mali qualifying for the HIPC initiative and the new partnership between the BWI and the

national government. Therefore, in 2000, the SNLP and the long-term prospective study Mali Vision 2025 were finally taken as inputs to the CSLP process, but the SNLP was not fully taken as an I-PRSP. In September 2000 the I-PRSP (Interim CSLP) was approved successively by the government and by the World Bank/IMF. During the period 2001-2002 the preparation of the final CSLP involved different stages and various levels of participation. The participation process was organized, in principle, in an exemplary way. In May 2002, the document was approved and submitted to the BWI, where the final CSLP is under review for the final JSA still today. The current situation in Cote d'Ivoire seems a cause of major concern and may have an effect on the evaluation of the final CSLP, given the need to incorporate this type of external contingencies on the growth and macro framework of the CSLP.

## PAKISTAN COUNTRY REPORT \_\_\_\_\_

**The Evaluation:** The Pakistan Country Study mission took place between 11 and 21 November 2002 and was undertaken by Michael Reynolds (CDPR) and Dr. G. M. Arif (Pakistan Institute of Development Economics – PIDE).

**Country Context:** The Islamic Republic of Pakistan was founded as a federal republic in 1947. It has an area of nearly 800,000 km<sup>2</sup> with a population of approximately 140 million. While the average annual economic growth rate reached 6.5% in the 1980s, it declined to 5.4% in the first half of the 1990s and 3.6% in the second. The main macroeconomic threat remains Pakistan's unsustainable debt position. In the 1990s, the level of poverty increased from approximately 27% of the population in 1992/3 to greater than 32% in 1998/9, which translates into an increase of the number of poor by 12 million over the period. Potential gains in poverty reduction from economic growth were therefore negated by rising inequality. Other social indicators in Pakistan also compare unfavourably with countries with similar levels of income per capita.

**Development Assistance and the UN Country Team:** The UNCT in Pakistan comprises seven voluntary funds—UNDCP,

UNDP, UNFPA, UNHCR, UNICEF and WFP and five specialised agencies—FAO, ILO, UNESCO, UNIDO and WHO. The Joint United Nations Programme on HIV/AIDS (UNAIDS) is also represented. In addition, a number of non-resident agencies, normally acting through the resident agencies, maintain a long-standing relationship with Pakistan including IAEA, ICAO, UNDESA, UNIFEM, UNOPS, WIPO and WTO. UN agencies in Pakistan are coordinated by the Resident Coordinator and maintain close links with their respective counterpart ministries. The total programme size of the UN system in Pakistan is small in comparison to overall external assistance flows.

**The PRSP Process:** The I-PRSP was completed in November 2001. In order to oversee the implementation of the I-PRSP, the government established the National PRSP Implementation Committee in February 2002 headed by the Secretary General of Finance and comprising secretaries of the federal and provincial PRSP partner government agencies. The Committee is responsible for the implementation of PRSP policy reforms, evaluation of their impact and appropriate adjustments (if required) in the policy regime. In addition, the government established the PRSP Secretariat in the Finance Division of the Ministry of Finance to serve as a secretariat to the Committee. The National PRSP Implementation Committee is also responsible for the formulation of the full-PRSP with the support of the PRSP Secretariat. In order to make a comprehensive PRSP that is truly reflective of the diversity of the federating units, the document will be based on provincial PRSPs prepared by provincial governments themselves in consultation with the newly elected district governments. At present, it is expected that the full-PRSP will be complete during 2003.

TANZANIA  
COUNTRY REPORT \_\_\_\_\_

**The Evaluation:** The Tanzania Country Study mission took place between 4 to 9 November 2002 and was undertaken by Alemayehu Geda (SOAS/CDPR) and Bedasson Shallanda (National Consultant).

**Country Context:** The United Republic of Tanzania (Tanzania) is a union of mainland

Tanzania and the island of Zanzibar (which contains two small islands of Unguja and Pemba). Tanzania is located in Eastern Africa and has a population of approximately 34 million (2000). Following its independence from Britain in 1961, Tanzania has followed the strategy of what is termed as the 'African Socialism – Ujama' the principles of which are embodied in the 'Arusha Declaration' of 1967. With per capita income of US\$ 280 (in 2000), Tanzania is a low income sub-Saharan Country. Recent major macroeconomic trends are good and the country has managed to register a sustained growth in real GDP and per capita GDP. There has, however, been very limited improvement of the income poverty status of Tanzanian households over the 1990s. The rising level of inequality has aggravated the lack of improvement in the condition of the poor (in particular the rural poor).

**Development Assistance and the UN Country Team:** With an investment to GDP ratio of about 17% between 1995 and 2000, and with a domestic saving to GDP ratio of about 6% during the same period, Tanzania has an average resource gap of about 11% of the GDP. With such a big resource gap, the country has no choice than to depend on foreign finance to bridge it. It is estimated that external assistance constitutes about 90% of the capital and more than 40% of the recurrent budget of the government in this fiscal year. This clearly shows the extreme dependence of Tanzania on donor support and hence the significance of new aid-delivery mechanisms (or partnership frameworks) such as the PRSP. Thus, it is within this general framework the discussion of the PRSP process in Tanzania needs to be understood.

**The PRSP Process:** The Tanzanian PRSP (I-PRSP) was first prepared in the context of the HIPC initiative. It was prepared through a consultative process that involved different stakeholders at different levels. It was finally reviewed and approved by the cabinet in early February 2000. The committee of ministers and the central bank governor steered the preparation of the full PRSP. The Zanzibar Poverty Reduction Plan (ZPRP) came after the formulation of the PRSP in the mainland. This is partly explained by the political crisis in the island following the 2000 election. The principal guiding body for



the preparation of the ZPRP was an Inter-ministerial technical committee comprising senior officers of the main technical implementing ministries chaired by the Principal Secretary of the Ministry of Finance and Economic Affairs (MOFEA) of Zanzibar.

## VIETNAM COUNTRY REPORT \_\_\_\_\_

**The Evaluation:** The Vietnam Country Study mission took place in August 2003, and was undertaken by John Weeks (SOAS/CDPR) and Nguyen Thang (National Consultant).

**Country Context:** After reunification in the mid-1970s, the Vietnamese economy grew slowly up to the mid-1980s. In 1986, the Seventh Party Congress approved a comprehensive economic reform package called “Doi Moi,” or renovation that shifted the country from central planning towards a market-based economy. Major institutional and policy reforms, symbolised by price liberalisation in the late 1980s and the early 1990s, the approval the legal framework for the private sector, and a radical Land Law in 1993, changed the economic incentive system. External economic relations changed, most notably the lifting of the US embargo in 1993 and improved access to major markets in developed countries.

Foreign direct investment rose from US\$ 346 million in 1988 to more than 7 billion in 1995, reaching a peak of 8.2 billion in 1996. Domestic investment also rose steadily. Vietnam became one of the fastest-growing economies in the world, with an annual growth rate of more than 7% in the 1990s. Inflation fell from greater than 300% in 1987 to less than 4% in 1997. The economic growth has been broadly shared, resulting in a sharp poverty reduction, from 57% in 1993 to 37% in 1998.

Growth slowed towards the end of the 1990s, associated with a sharp drop in new foreign investment commitments. There is serious concern about rising income inequality, largely generated by regional differences in growth rates. This has negatively affected poverty reduction and human development, especially in underdeveloped regions. Urban unemployment has been rising, and rural unemployment, estimated to be 35% during

non-harvest periods, is at critical levels.

**Development Assistance and the UN Country Team:** Official data indicate that ODA has been growing steadily in Vietnam since the donor community resumed assistance to Vietnam in the early 1990s. Pledges by donors during 1993-2001 reached nearly US\$ 20 billion. Disbursements during that period amounted to US\$ 10.3 billion. Due to efforts by the government and the donor and lender community, the gap between commitments and disbursements has narrowed. Annual ODA disbursements could reach as much as US\$ 1.5 billion in 2002, an increase of almost 10% from 2001. The donor community in Vietnam consists of 25 bilateral donor countries, 20 multilateral agencies, and nearly 400 international NGOs. Japan is the largest donor, followed by the World Bank, the ADB and the IMF. Bilateral donors as a group provided 50% of ODA disbursements.

Disbursements by the UN agencies were stable during 1998-2000 at about US\$ 50 million. Among the agencies, UNDP was the largest donor in 2001, followed by UNICEF. There was a discernible shift in the sectoral distribution of funding from the UN family. In 1999 and 2000, health was the main recipient sector, with the rest evenly spread across sectors. In 2001, agriculture was the main recipient (US\$ 12 million), followed by health (US\$ 9 million) and social development (US\$ 6 million).

**The PRSP Process:** The Vietnamese I-PRSP and PRSP (CPRGS) build on the country's socio-economic development strategies, five-year plans and targeted poverty programmes. The sectoral parts of the CPRGS draw on the sectoral ten-year strategies for 2001-2010, and submissions made by line ministries to the CPRGS drafting team. As such, the national PRSP process began well before the government decided to prepare I-PRSP at the request of the BWI. It can be traced back to the Poverty Task Force that was jointly established by the government, the donor and lender community, and local and international NGOs in January 1999.

The poor in Vietnam were directly consulted about the PRSP documents through policy-focused participatory consultations, so-called Participatory Poverty Assessments (PPA). The views of those consulted in the PPAs were to some extent heard and taken into account in the letter and the spirit of the CPRGS.

## Annex 7: Status of I-PRSPs and PRSPs (as of 23 April 2003)

Country	I-PRSP	PRSP
Albania	May-00	Jun-02
Angola	expected June 2003	
Armenia	Mar-01	
Azerbaijan	May-01	Dec-02
Bangladesh		
Benin	Jun-00	Mar-03
Bolivia	Jan-00	Mar-01
Bosnia & Herzegovina	Oct-02	first draft Mar-03
Burkina Faso		May-00
Burundi	expected Apr-Jun 2003	
Cambodia	Oct-00	Jan-03
Cameroon	Aug-00	Apr-03
Cape Verde	Apr-02	expected Apr-Jun 2003
Central African Republic	Dec-00	expected Jul-Sep 2003
Chad	Jul-00	was expected Oct-Dec 2002
Comoros	was expected Dec 2002	expected Jul-Sep 2003
Congo, Dem Rep	Jun-02	
Congo, Rep	2002	
Cote d'Ivoire	Mar-02	first draft Sep-02
Djibouti	Jun-01	expected Jun 2003
Dominica	was expected Oct-Dec 2002	
Eritrea		
Ethiopia	Nov-00	Oct-02
Gambia, The	Oct-00	Jul-02
Georgia	Nov-00	
Ghana	Jun-00	Mar-03
Guinea	Oct-00	Nov-01
Guinea-Bissau	Sep-00	expected Oct 2003
Guyana	Oct-00	May-02
Haiti	expected Apr-Jun 2003	

Honduras	Mar-00	Sep-01
Indonesia	was expected Oct-Dec 2002	
Kenya	Jul-00	was expected Jan-Mar 2003
Kyrgyzstan	Jun-01	Jan-03
Lao, PDR	Mar-01	expected Sep-03
Lesotho	Dec-00	expected Jul-2003
Liberia		
Macedonia, FYR	Nov-00	Aug-02
Madagascar	Dec-00	was expected Oct-Dec 2002
Malawi	Aug-00	Aug-02
Mali	Jul-00	Feb-03
Mauritania		Dec-00
Moldova, Rep	Nov-00 and Jul-02	was expected Mar 2003
Mongolia	Sep-01	
Mozambique	Feb-00	Oct-01
Myanmar		
Nepal	2001	
Nicaragua	Aug-00	Sep-01
Niger	Oct-00	Jan-02
Nigeria		
Pakistan	Dec-01	expected Jul-03
Rwanda	Nov-00	Jul-02
Sao Tome and Principe	Apr-00	was expected Oct-Dec-02
Senegal	May-00	Nov-02
Sierra Leone	Sep-01	
Somalia		
Sri Lanka		Feb-03
Sudan	expected Jul-03	
Tajikistan, Rep	Mar-00	Oct-02
Tanzania, United Rep	Mar-00	Oct-00
Togo	was expected Oct-Dec-02	
Uganda		Mar-00
Uzbekistan	was expected Jul-Sep-02	
Viet Nam	Mar-01	Jun-02
Yemen, Rep	Dec-00	Jul-02
Yugoslavia, Fed Rep	Aug-02	expected Aug 2003
Zambia	Jul-00	May-02

# Annex 8: Poverty Reduction Strategies – Areas of Focus and Examples of Progress in 2001

Area of Focus	Progress Reported	COs Involved
Preparation and implementation of PRSPs	<ul style="list-style-type: none"> <li>• Co-chairing with the government the national PRS steering group; coordination role on poverty reduction vis-à-vis UN organizations or bilateral donors</li> <li>• Capacity development of institutions responsible for poverty policy formulation, including capacity for gender disaggregation</li> <li>• Macro-micro linkages strengthened, bringing experience from regional or local poverty programmes to bear on national poverty policy process</li> </ul>	Azerbaijan, Bangladesh, Benin, Bolivia, Burkina Faso, Cambodia, Côte d'Ivoire, Democratic Republic of Congo (DRC), Djibouti, Gambia, Georgia, Guinea, Haiti, Indonesia, Kyrgyzstan, Madagascar, Malawi, Mali, Moldova, Mongolia, Mozambique, Niger, Nigeria, Rwanda, Sri Lanka, Togo, Uganda, Tanzania, Uzbekistan, Viet Nam, Yemen
Participatory approach to formulation of national and regional poverty policies, strategies, and programmes	<ul style="list-style-type: none"> <li>• Promoting participatory approach in the preparation and review of PRSPs</li> <li>• Supporting NGO forums, or providing training to CSOs to facilitate input into national PRS</li> </ul>	Azerbaijan, Bolivia, Burkina Faso, Burundi, DRC, Guinea, Honduras, Lao PDR, Mozambique, Nicaragua, Niger, Pakistan, Uganda, Tanzania, Yemen
Development of macroeconomic policy options	<ul style="list-style-type: none"> <li>• Strengthening linkages between macroeconomic framework and national PRS</li> <li>• Ex-ante analysis of macroeconomic policy options</li> </ul>	Benin, Bolivia, Cambodia, Gambia, Mongolia, Mozambique, Mali, Viet Nam
Monitoring of national poverty reduction strategies	<ul style="list-style-type: none"> <li>• National policy informed by local, gender-disaggregated data</li> <li>• Indicators identified for use in national PRS</li> <li>• Household surveys; analysis forms basis for national PRS, including use of human development index</li> </ul>	Armenia, Benin, Bolivia, Bosnia and Herzegovina, Cambodia, Côte d'Ivoire, Georgia, Guyana, Haiti, Honduras, Malawi, Mali, Mauritania, Moldova, Mongolia, Niger, Pakistan, Rwanda, Senegal
Poverty monitoring for capacity development	<ul style="list-style-type: none"> <li>• Capacity development of national statistical offices/analysis: e.g., South-South cooperation, training, databases</li> <li>• Training and technical assistance for poverty assessments</li> <li>• National poverty monitoring system established, with spatially and gender-disaggregated data</li> </ul>	Bolivia, Burkina Faso, Cambodia, Cameroon, Central African Republic, Gambia, Georgia, Guinea, Haiti, Honduras, Moldova, Mozambique, Sri Lanka, Togo, Uganda, Tanzania, Yemen

Source: Adapted from the UNDP 2001 ROAR (Table 2a).